

FINANCIAL TIMES

SRI LANKA Death still stalks a beautiful land Page 4

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World News

Prosecutors seek remand of Palme suspect

Swedish prosecutors asked a Stockholm court to remand in custody a convicted killer suspected of murdering Swedish prime minister Olof Palme nearly three years ago.

Rocard avoids vote

French Prime Minister Michel Rocard invoked an emergency decree, approving legislation without a vote, after refusal by centrist and communist supporters to support a broadcasting bill.

Sri Lanka poll call

Sri Lankan political, civic and religious leaders urged the Government to postpone presidential elections due on December 19 because of ethnic violence which has claimed at least 89 lives this week.

Armenian disaster

Hopes faded of finding more survivors of the Armenian earthquake. Foreign aid continued to pour into stricken areas and a senior Soviet military commander denounced both looters and nationalists for seeking to exploit the tragedy.

Belgian traffic chaos

Traffic chaos hit Brussels as public transport workers held a 24-hour strike over pay and conditions.

Six bombs in Chile

At least six bombs exploded in two Chilean cities, including one near the presidential palace in Santiago, which injured five passers-by.

Bulgarian reshuffle

Bulgaria's ruling Communist Party announced a reshuffle of the party leadership which suggests a cautious approach to economic reforms and continuing reluctance to introduce substantial changes in the political apparatus.

Spanish union call

Spanish trade unions, encouraged by the response to Wednesday's 24-hour general strike call, put forward a five-point programme to ensure industrial peace and said thousands would turn out for a protest march in Madrid this evening.

Poland talks 'soon'

Lech Walesa, leader of Poland's banned Solidarity trade union, said that round table talks with the Government, repeatedly delayed since September, were 'very close at hand'.

Brazil pact at risk

Brazil's high inflation is threatening the future of a six-week-old 'social pact' of Government, workers and employers, itself created as a forum to negotiate a reduction in inflation.

Minister admits deal

Argentine Defence Minister Horacio Jaurena confirmed suggestions that the recent four-day rebellion by army units was resolved by an agreement between the army chief of staff and the leader of the mutiny.

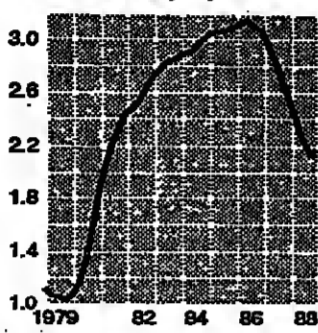
Business Summary

CBS to pay over \$1bn for baseball TV rights

CBS, US broadcasting group, is to spend more than \$1bn for exclusive rights to televise major-league US baseball in risky and ambitious bid to reverse falling market share.

UK Unemployment

BRITAIN'S official unemployment total fell by 49,000 to 2.11m last month, lowest figure for more than seven years.



Average earnings showed underlying increase of 9 per cent in October, down from 9.25 per cent in September.

OLIVETTI, Italian office equipment group, refused to comply with request by Norwegian stock exchange authorities, to make public offer for 49 per cent minority shareholdings in Scaninvest Bmg, Oslo-based distributor of integrated data processing systems.

ARGENTINA'S Minister of Public Works announced collapse of 10-month-old project to sell 40 per cent of state airline Aerolineas Argentinas to Scandinavian Airline Systems.

EUROPEAN Parliament approved EC's 1989 budget, totalling Ecu 44.8bn (\$53.2bn), first time since 1983 Community has managed to pass budget before it is due to come into force.

INTERNATIONAL Business Machines, world's largest computer business, agreed to extend indefinitely pact with EC under which it provides technical information about its systems.

NATIONAL Semiconductor, California-based semiconductor and computer manufacturer, reported fiscal second quarter loss of \$23m, caused by slow-down in US semiconductor market.

VENEZUELA launched largest yet international public securities issue, a \$500m floating rate note intended to refinance \$400m of bank loans and raise \$100m new funds.

PLN, Indonesia's debt-ridden state electricity utility, is to go ahead with development of 1,600 MW Palton power station, despite World Bank threat to withdraw funding for project.

AERO Lloyd's six-week-old attempt to challenge domestic monopoly of West Germany's state-owned airline, Lufthansa, seems to be running into trouble.

RYAN International, British coal-mining and coal recovery group, handed back from the 12-country European Space Agency in objection to the proposed spending on Horizon 2000, a 20-year programme in astronomy satellites and unmanned probes around the solar system.

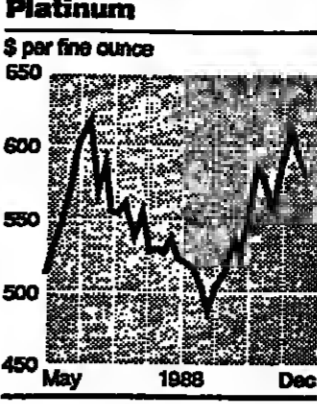
FLESSEY, British electronics group, asked British High Court to 'hold the ring' while European Commission decides whether joint venture bid by General Electric Company and Siemens of West Germany is permissible under European law.

Moscow urges early talks to prepare for Mideast conference

By William Dufforce in Geneva, Lionel Barber in Washington and Andrew Whitely in Jerusalem

THE Soviet Union called yesterday for immediate talks in the UN Security Council to prepare for an international Middle East peace conference, after the historic US decision on Wednesday to open direct dialogue with the Palestine Liberation Organisation.

Platinum



Ford upsets platinum market with substitute

FORD, the world's second-largest automotive group, yesterday caused chaos in the platinum market by revealing that it had developed a catalyst just as effective - but significantly cheaper than - one using platinum in eliminating car exhaust emissions.

Bundesbank lifts interest rate amid inflation fears

By Andrew Fisher in Frankfurt and Peter Norman in London

WEST Germany's Bundesbank yesterday raised one of its key interest rates and signalled that monetary policy would be tightened slightly in 1989 to keep inflation at bay.

Europe space plan to proceed

By Peter Marsh in London

THIRTEEN West European nations yesterday agreed to an ambitious \$3.6bn programme in space-science after Britain withdrew its objection to the scheme at the last minute.

MARKETS

Table with market data including Dow Jones Industrial averages, Interest Rates, and Stock Indices.

Table with market data including Stock Indices, Commodities, and Currencies.

Danes are sharply divided over the prospect of devaluation

Mr Poul Schluter, Denmark's Prime Minister, made it clear long ago that he would not use exchange rate changes as a policy measure, but his specific rejection of devaluation has been criticised from the Danish policy debate.

Management: Why a Spanish local hero is talking turkey

Technology: Locking safety into computer controls. Editorial comment: The problem is not solved; Competition, but not yet.



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EUROPEAN NEWS

Spanish unions seek to follow up strike success

By Tom Burns in Madrid

ENCOURAGED BY the success of Spain's general strike on Wednesday, the trade unions called on the Government yesterday to meet a five-point programme to ensure industrial peace and said thousands would turn out for a protest march in Madrid this evening.

Mr Felipe Gonzalez's socialist government appeared to be stunned by the surprising ease with which the socialist Union General de Trabajadores and the communist-led Comisiones Obreras unions had managed to bring the country to a 24-hour standstill.

Mr Nicolas Redondo, a veteran socialist and the leader of UGT, warned the Government not to "underestimate the lessons of a memorable day". He said the Government would have to alter its economic policies and implicitly said it would have to jettison those who had framed them.

In a clear reference to Mr Carlos Solchaga, the Economy Minister responsible for the conservative strategy that has prompted Spain's economic boom, Mr Redondo said there were ministers who impede dialogue because they are actively opposed to the trade union movement.

The five-point plan, said by the unions to be non-negotia-

ble, included a demand for a minimum 2 per cent wage rise for public sector employees whose salary increases have been eroded by higher than forecast inflation since the summer. Other points were an increase in unemployment benefits to cover 48 per cent of the jobless - at present fewer than 35 per cent receive them - parity between minimum pensions and minimum wages, a new collective bargaining framework for public employees and the withdrawal of a youth employment plan prepared by the Government which the unions say undermines job security and lowers wages.

Overall the plan, coming as it does at a time of concern that the Spanish economy might begin to overheat following record growth over the past two years, strikes at the very heart of Mr Solchaga's strategy to contain inflation and public spending.

The militancy of the unions could cause Mr Gonzalez to rethink his present opposition to a snap poll this spring, timed to coincide with the European elections. Business circles believe this could be the only avenue which will allow the Premier to regain the political initiative.

Papandreou faces fresh pressure after resignation

By Andriana Ierodiaconou in Athens

GREEK opposition parties yesterday renewed calls for the Socialist Government's resignation, following dramatic charges of financial corruption levelled by the Mr Stathis Yiotas, the Deputy Defence Minister, who quit his cabinet post on Wednesday.

His claims were contained in an eight-page letter of resignation addressed to Dr Andreas Papandreou, the Prime Minister, and leaked yesterday. The letter paints an extraordinary picture of illegal arms sales and defence procurement contracts, allegedly involving

sides and close friends of the Prime Minister.

In his letter Mr Yiotas accused an unidentified prime ministerial adviser of exerting pressure to secure the Deputy Defence Minister's approval for the re-export of weapons to "countries and regimes condemned by world public opinion."

Other allegedly suspect contracts and dealings listed by Mr Yiotas include the purchase by Greece of French Magic II missile systems - a deal said to have been put together by a close friend of Dr Papandreou.

Brussels takes hard line on state aid

By David Buchan in Brussels and Ian Davidson in Paris

THE EUROPEAN Commission yesterday announced it was serving a legal warning on five EC governments for their failure to give Brussels advance notice of state aid paid to companies.

The move reflects the Commission's increasing concern that member states are using state aid policies simply to replace more traditional protectionist barriers now being swept away in the Community's single market programme.

The Commission has singled out France, Italy, Spain, Belgium, and Greece as those it regards as the worst offenders against the Treaty of Rome requirement that all prospective state aid should be notified to Brussels for prior Commission review.

These five governments will shortly receive a letter, under the standard treaty infringement procedure, giving them two months to mend their ways, or face possible formal condemnation in the European Court of Justice. The other seven EC states will also get a warning, but without the same legal consequences.

The Commission calculates that the incidence of illegally un-notified state aid has risen from 11.5 per cent in 1985 to 18 per cent in 1987-88 out of total payments made out of state coffers to companies in the 12 EC countries.

In 1985-87 France tops the list of offenders by failing to inform Brussels of 37 per cent of the occasions on which French companies received aid. The comparable ratio for Belgium was 32 per cent, Greece 26 per cent, Spain 23 per cent, and Italy 18 per cent. Those with the best record for coming clean with the Commission are Germany, the UK, Denmark and Portugal.

According to Mr Peter Sutherland, EC Commissioner responsible for competition policy, Community governments are spending Ecu100bn each year in subsidies to manufacturing industry and agriculture.

Bonn coal production subsidies attacked

By David Goodhart in Bonn

IT WOULD be far more efficient to allow all West Germany's 155,000 coal miners to stay at home on full pay than to subsidise expensive domestic coal production to the tune of DM10bn (£3.1bn) per year or DM63,000 per employee, according to a report from the free-market Franfurter Institut.

The Institut proposes that instead of supporting German coal at DM270 a tonne the Government should buy two tonnes at the world market price of DM80 a tonne; one tonne could then be sold on to the utilities and the other

stored for future emergencies. That would still leave a saving of DM110 per tonne to phase out the industry.

The lion's share of the 75m tonnes a year from German pits goes to the utilities and the steel industry. Both sectors are compensated by the Government for having to buy at least part of their energy needs at more than three times the world market price.

Under the *Jahrhundertvertrag* (century contract) the utilities are committed to buying domestic coal - 45m tonnes a year - until at least 1995. To

cover the difference between the price of coal and the price of cheap imported oil the Government allows the utilities to levy an extra 7.25 per cent on electricity bills - known as the *Kohlepremie*.

The *Jahrhundertvertrag* now costs about DM5bn a year. Compensating steel producers through the *Hüttenvertrag* (steelworks contract) will cost another DM4bn this year boosted by increased consumption of coal thanks to the steel boom. Another DM1bn is spent on social and investment support for the coal industry.

Although Mr Martin Bangemann, the previous Economics Minister, promised to reduce the *Kohlepremie* to 4.5 per cent in 1992, the Government is about to raise it to 8.5 per cent. However even 8.5 per cent is not enough to cover the difference between the price of German coal and world market oil so the Government is embroiled in complex negotiations on who should pay the difference.

The Government wants the big coal states - North Rhine Westphalia and Saarland - to pay most of the difference,

while the states want the Government or the utilities to pick up the bill.

The Franfurter Institut yesterday called for an immediate end to the *Hüttenvertrag* and no extension of the *Jahrhundertvertrag* when it expires. However opponents of liberalisation point to the political danger of having no effective strategic reserve.

European Commission proposals for an open market in energy - including electricity - will presumably come into conflict with the *Jahrhundertvertrag* before it expires.

European Community budget passes final hurdle

By David Buchan in Brussels

LORD Plumb, President of the European Parliament, yesterday signed the Community's 1989 budget of Ecu 44.8bn (£29bn) into law, hailing its timely adoption as marking what he described as the end of a long "budgetary cold war" between EC institutions.

For the first time since 1983 the Community has managed to pass a budget before it is due to come into force. Lord Plumb attributed this success to the special agreement negotiated last summer between the Council of Ministers (EC governments), the Commission and Parliament, setting a five-year spending framework up to 1992.

For once the process worked like clockwork, winding up with the European Parliament's final vote of approval yesterday.

The 1989 budget marks two other watersheds. Farm spending is reduced in absolute terms for the first time in Community history, and will fall to below 60 per cent of the total budget for the first time since the 1960s.

The Parliament yesterday voted to channel some of the farm spending savings - due to higher world prices and thus lower export subsidies - into more food aid for the third world, for a 1989 total of Ecu460m.

IBM extends pact with EC

By William Dawkins in Brussels

INTERNATIONAL Business Machines, the world's largest computer manufacturer, has agreed to extend indefinitely a pact with the European Commission under which it promises to make available to EC competitors technical information about the way it connects elements of its systems together.

In return, Brussels has agreed not to carry out a long standing legal action against IBM for allegedly abusing its position as the computer company which sets industry standards other companies have to accept because of its dominant position in the market place.

IBM is thought to have about 70 per cent of the European market for computer hardware, software and services. Almost every large European company uses some IBM equipment and

with the current trend towards integrating equipment into networks, competitors can be at a disadvantage if they cannot show their equipment will replace or connect easily to IBM's.

Commission officials said yesterday's accord also tightens up the existing arrangement between IBM and Brussels, which was due to expire at the end of the year.

Under the present arrangement, IBM can unilaterally give a year's notice if it wants to re-impose the old ban on allowing competitors access to technical information needed to design products that could work with or replace IBM machines. The new arrangement obliges the US group to consult the Commission before considering any such move, as well as to continue its existing

regular contacts with Brussels.

"That is a common courtesy we would extend to the Commission in any event," said IBM.

This sets the seal on one of the Commission's longest and at times most controversial campaigns to improve free competition in the EC. Brussels began an inquiry in 1973 into complaints by IBM's competitors that they could not make compatible machines because IBM withheld so-called "interface" information.

Brussels did not issue a formal statement that IBM was contravening EC competition rules until 1980. IBM finally agreed to release such data four years ago, in return for which Brussels offered to suspend its threat of pursuing a court action that could have led to huge fines.

Unions plan Philips strike

UNIONISED employees at all 10 Belgian plants of Dutch electronics group Philips plan to strike next month to protest against job cuts, company and union officials said yesterday.

Philips Gloeilampenfabrieken has said it will axe 810 of the 1,210 jobs of its subsidiary in Leuven, east of Brussels. The cuts would reduce the total workforce in Belgium to 16,000.

"It is absolutely irrevocable (that they will be laid off)," the company said.

Employees have occupied two floors of the plant in Leuven, which includes its research and development centre and computer room.

A trade union representative, speaking from the occupied plant, said the trade unions involved had decided unanimously to go on strike.

EC sets up technology ventures fund

By William Dawkins

THE European Community's 12 research ministers yesterday earmarked a total Ecu 621.5m (£404m) to subsidise a wide range of cross-border technology ventures between now and 1992.

They include Ecu 35m for a scaled down version of a controversial European Commission plan to back collaborative research between the EC's top nine aircraft makers. It covers advanced materials, ultra efficient engines and hypersonic flight among other new aeronautics technologies.

This is the first Community backing for the sector and could add to US anxieties over the extent of public subsidies for the Airbus project, some national officials fear. Mr Karl-Heinz Narjes, the Industry Commissioner, has lobbied forcefully for the scheme precisely on the grounds that Europe badly needs help to keep up with the US aircraft industry's growing research efforts.

The Commission sees the scheme as a pilot phase for a much larger project, possibly

worth well over Ecu 1bn, for the early 1990s, say officials. The EC aeronautics plan comes despite the reservations of Britain and Denmark, which feel the Commission has no business subsidising a heavily state-backed industry, and Ireland, which fears the defence spin-offs might compromise its neutrality.

Belgium and Spain had also questioned its validity, but swallowed their objections when the Commission offered nearly to halve its original Ecu 60m demand.

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EUROPEAN NEWS

Palme murder suspect to appear in court

By Robert Taylor in Stockholm

A 41 year old Swedish man will appear in court today in connection with the murder of the country's Prime Minister Olof Palme in 1986.

Swedish prosecutors, convinced they have their man, asked a Stockholm court yesterday to remand him in custody. Prosecutors have made an application to the court for the man's remand. He will appear in court on Friday, the Stockholm District Court said yesterday.

The hearing is likely to be held behind closed doors, although a final decision had yet to be made.

The name of the suspect was also released by the court but cannot under Swedish law be published.

The 41-year-old man, who has a long record of criminal violence including the brutal killing of a youth with a bayonet, was arrested in his flat in Stockholm this week in the northern suburbs of the Swedish capital.

Commenting on the results of their interrogations of the suspect the chief prosecutor Mr Axel Morath said "I believe we have got the murderer now".

Remand is the first stage in the Swedish legal system which involves a court hearing. If the application is approved, prosecutors have 14 days to bring formal charges.



Olof Palme: unlikely victim

or come back to court for an extension. An unlimited number of extensions of remand can be approved, though the court can order a suspect's release if it considers the evidence insufficient.

Over the past two days there has been a quite extraordinary outpouring of information in the Swedish press about the man, who is suspected of having murdered Mr Palme as he was walking through a street on 28 February 1986.

Sweden does not have trial by jury. If he is to face formal charges he will be tried in front of legal experts in court.

Through his lawyer he has said that he is innocent of the murder.

South loses out as Italy boosts jobs in industry

By John Wyles in Rome

AFTER five consecutive years of economic growth, Italy's manufacturing sector has at last started to create new jobs in a visibly brightening employment picture whose dark side remains, however, the stubborn failure of the Mezzogiorno to share in the emerging national recovery.

A study published yesterday for the Ministry of Labour demonstrates that employment has become one of the most vivid indicators of Italy's "two nations" problem. Between 1984 and 1987, the national labour force has increased by 780,000 - 800,000 of the new entrants being women - while in the south there has been a net loss of 50,000 jobs.

Unemployment in the region is still rising steadily and stands at 20.3 per cent, while the centre and north of the country has enjoyed a 0.5 percentage point decline to 7.9 per cent. The total number looking for work in the Mezzogiorno has risen by 450,000 in the three years to 1987 and 300,000 of these are in the 14-29 age group.

These statistics are an uncomfortable qualification to what in national terms has seemed a much more encouraging year. According to the Ministry's report, at least 300,000 new jobs have been created in 1988 and a further 200,000 are expected next year, assuming a 3 per cent growth in gross domestic product.

Though this job creation has been largely accomplished by Italian service industries, the report has also identified the first increase in industrial employment this decade.

Mr Renato Brusetta, manager of the study, said yesterday manufacturing industry was working close to full capacity and further growth to national output would require new investment in plant and employment.

This is one reason why Italian businessmen and forecasters are challenging the assumption about Italian growth in the latest OECD report. The OECD expects that the 12.84 per cent national unemployment rate will rise in the second half of next year.

Danes sharply divided over devaluation

EC integration and the domestic bond market fuel the debate, writes Hilary Barnes

Mr Poul Schluter, Denmark's Prime Minister, made it crystal-clear as long ago as 1982 that no government of which he is head will use exchange rate changes as a policy measure. But despite such words the spectre of devaluation refuses to be excluded from the Danish policy debate.

It is not just the serious basic economic problems which make some economists and bankers think that to the end the problems will not be solved without a devaluation. Two other factors are currently agitating the "devaluationists", the bond market and the problem posed for the completion of Europe's internal market by the very high levels of indirect taxation in Denmark.

Opinions, however, are sharply divided. What is probably the majority school of thought accepts that membership of the EMS, combined with the abolition of foreign exchange controls, has eliminated devaluation as a policy instrument. Neither Denmark's partners in the EMS nor the CAP (which determines the value of the "green krone") will countenance a unilateral Danish devaluation, they say.

Besides, opponents add, devaluations have never worked well in Denmark in the past, leading only to more inflation and higher interest rates. However, the devaluationists also have some good arguments, starting with the over-valuation of the Krone.

By several of the indicators used by the IMF to measure "real" exchange rate changes, the Krone has appreciated since 1980 by more than any currency except the Yen, a perverse development for a country with a net foreign debt of about kr270bn (21.8bn), some 40 per cent of the GDP.

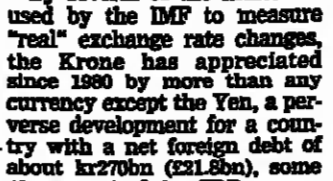
The country is now heading for its third year with little or no increase in production. Unemployment, running at a seasonally-adjusted rate of 8.9 per cent, is rising fast, and although the current account deficit has fallen from kr35bn in 1986 (when it was 5.2 per cent of GDP) to kr9.5bn to the first nine months of this year, little further improvement is expected in 1989, with rising interest on the foreign debt cancelling out an improvement to the trade balance.

The bond market has been a gold mine for foreign investors in several periods since 1982, as investors could move in when yields were high, prices could only go one way - up - and there was no danger of devaluation to wipe out profits.

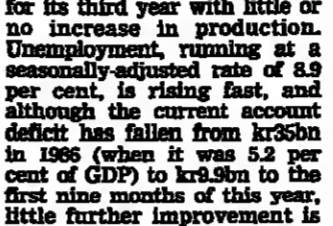
The past year has been one of the gold-mine periods, but all good things must have an end. For years there was a yield gap of 6-7 per cent between Danish and German bonds. The gap is now less than three per cent.

Denmark

Kroner against the Dollar (K/\$)



Current Account deficit (US \$m)



Some analysts think that the Krone's participation in the EMS means that Danish and German interest rates must eventually meet. They therefore think that it is still advantageous for foreign investors to buy. So far they have been right.

But other analysts think that the interest gap cannot be narrowed any more, and some think that foreign investors are faced with a reversed one-way bet: they can't lose by getting out now. And if the foreign investors decide to get out, this could precipitate a devaluation.

There are also devaluationists who have an answer for what happens if the government, faced with an unrelenting recession, rising unemployment, "sticky" wages, and a run on the Krone, decides to ask its EMS and EC partners to allow it to undertake a substantial devaluation.

No problem, says one devaluationist. This would be just the opportunity which the EC countries need. They will agree to a devaluation, but only on condition that the Danes take effective action to eliminate the causes of the fundamental disequilibrium in the economy.

The conditions would include reductions to indirect taxes and concomitant measures to reduce public sector expenditure to release resources from over-staffed public sector services for the growth of export industries, plus measures to stimulate private saving.

The indirect tax problem is this. If Denmark reduces its indirect taxes to the average levels of the Community, the Treasury will suffer a revenue loss of about kr40-50bn, or about one third of its total revenues from indirect taxes. If frontiers are opened in 1992 and taxes not adjusted, the rush to shop across the frontier in Germany will dwarf all previous records for the current account deficit. A substantial devaluation could contribute to the solution of this problem, say the devaluationists.

Not so, argues the Federation of Danish Industries, the main manufacturing industry organisation. Devaluation, by raising retail prices, would only make matters worse.

According to Mr Soeren Krohn, federation economist, there is a wonderful opportunity for Denmark to increase competitiveness by reducing indirect taxes substantially and reducing retail prices at the same time.

Transfer incomes (such as pensions and unemployment benefits) can be reduced in step with the fall in retail prices. Wages could also be reduced, or, at least, new claims could be avoided for several years, on the assumption that retail prices are reduced by several per cent a year as indirect taxes are lowered.

For the moment, the bond market is not behaving as if it believes the devaluationist arguments, and the government's success in getting the 1989 Finance Act through the Folketing in the shape it wanted will strengthen the market's faith in the government.

The next trip wire is the spring collective wage bargaining. If that can be cleared without any significant increase in wage costs over the next two years, the devaluationists may (if they have put their money where their mouth is) have to take their losses with a smile.

Italian toxic waste shipped from Lebanon

ABOUT 8,000 barrels of Italian toxic chemical waste dumped in Lebanon will be shipped to the Italian port of La Spezia, the city council said on Thursday. Reuters reports from La Spezia.

Mayor Bruno Monterifiori said the council had agreed to an Italian government request to allow the consignment to dock on condition that the nature of the waste was identified and that it did not stay in La Spezia longer than necessary.

The waste was found north of Beirut to June on the Kesrouan coastline after it had been unloaded from a Czechoslovak freighter.

"We cannot shirk the responsibility we have been asked to assume," Mr Monterifiori said. The Italian government agreed in the summer to remove illegally-dumped chemical waste from Lebanon and Nigeria after strong protests.

Bulgaria reshuffles leadership

By Judy Dempsey in Vienna

BULGARIA'S ruling Communist Party has announced a reshuffle of the party leadership during a two-day session of the central committee which ended in Sofia on Wednesday night.

The reshuffle suggests a cautious approach to economic reforms and continuing reluctance to introduce substantial changes in the political apparatus. The leadership style of 76-year-old Mr Todor Zhivkov, in power since 1954, remains unchanged.

This was confirmed by dismissal from the central committee of Mr Chudomir Aleksandrov, who often criticised the party's resistance to economic reforms, and Mr Stoyan

Mikhailov, a keen advocate of a more liberal press. Last Monday, Mr Mikhailov was sharply criticised in Rabotnischko Delo, the party daily, following an unusual article in his defence in a sociological journal.

This indicates greater disunity in the party over the pace of reforms than admitted. One of the vacancies in the politburo was filled by Mr Ivan Stoyanov, Minister of the Interior since 1973.

Although articles in the Bulgarian party press have criticised abuse of power and non-availability of passports, there is little indication that Mr Stoyanov intends to introduce sweeping changes, either in

lifting travel restrictions or allowing independent movements to exist.

The second promotion was that of Mr Ivan Panev, the party boss in Sofia. This was largely expected, as party organisations in East European capitals are very influential.

On economic matters, Mr Zhivkov seems to have made some concessions to the more technocratic wing of the party. Mr Petko Petkov, 39, was promoted to candidate membership of the politburo. As president of the Biotechnological and Biochemical industry association, he is regarded as efficient.

He is joined by the relatively young 46-year-old Mr Stoyanov Ovcharov.

Czechoslovakia eases visas for foreigners

By Leslie Collitt in Berlin

CZECHOSLOVAKIA will begin issuing visas on demand to Western tourists next month at the border with West Germany and Austria in an effort to improve its image in the West and boost tourist income.

The liberalisation comes 20 years after Czechoslovakia abandoned "instant" visas following its occupation by Soviet-led Warsaw Pact armies.

The Czechoslovak Embassy in Bonn said the border crossing point at Waldhaus near Nurnberg would issue visas to tourists on demand as well as at three crossing points in Austria.

Former Czechoslovak citizens would also be given immediate visas provided they presented papers showing they had been officially discharged from citizenship. Businessmen and journalists will still have to apply for visas ahead of time.

Czechoslovak consulates in the West have for several years issued visas for tourists at short notice.

The Czechoslovak Embassy said that more than 500,000 West Germans had been issued visas this year up to the end of October. Economic officials in Prague are now set on greatly expanding tourism

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US DIALOGUE WITH THE PLO

Mr Shultz decides to take a little credit

By Lionel Barber in Washington

THE US decision to open a "substantive dialogue" with the Palestine Liberation Organization is very much a personal demerit by Mr George Shultz, US Secretary of State. Mr Shultz sought and obtained President Reagan's approval for the fundamental shift in US policy, but it is clear that this was a game plan drawn up and executed by the Secretary of State himself and designed to restore the traditional US role as peace-broker in the Middle East.

Throughout this year, Mr Shultz has sought to persuade Israel and other Arab countries to consider a revised US peace plan based around Israeli withdrawal from the occupied territories in the West Bank and Gaza Strip in exchange for peace. Simultaneously, he has tried to prod moderate Palestinians - and therefore, indirectly, the PLO - into explicit statements recognising Israel's right to exist and renouncing terrorism. The aim was to prepare the ground for some form of Palestinian representation at an international peace conference set up to settle the Middle East question.

It has been a thankless task. During two exhausting peace shuttle flights in the region, Mr Shultz found himself lashed by

all sides. Many analysts said that US policy was bankrupt and only served to show how Israel's pocket, after the collapse of the 1982 Shultz plan. When, two weeks ago, Mr Shultz denied Mr Yasser Arafat, the PLO leader, a visa to the US to speak at the United Nations General Assembly, the criticism mounted still further. Only the Israelis and the US Congress (including a round-robin from 66 Senators) applauded the decision - and therein lies the rub.

By securing his domestic political base in Congress and establishing, yet again, his loyal credentials with the Israelis, Mr Shultz was able to present this week's fundamental shift in US policy towards the PLO in the best possible light. His message: US consistency and pressure has paid off, and the last step of moderation squeezed out of Mr Arafat and his colleagues.

One person who can be grateful is President-elect Bush. The tricky task of persuading Israel to deal directly with the PLO will fall to Mr Bush and Mr James Baker, his Secretary of State-designate; but the President-elect has been spared the delicate political judgment of just when to

engage with Mr Arafat. How far Washington is prepared to put pressure on Israel may not be the relevant question to ask. The very act of the US breaking a 13-year ban on dealing with the PLO, the organisation which Israel sees as its implacable enemy, turns up the heat, notwithstanding Mr Shultz's statement on Wednesday night that "the United States commitment to the security of Israel remains undiminished".

Israeli political leaders should consider, too, that US public opinion may not be quite as supportive as in the past. The stream of TV pictures documenting the Israeli crackdown against Palestinians in the occupied territories have taken a toll, not least in the American Jewish community. A sign of the change came the other week in Stockholm when five prominent American Jews met with Mr Arafat in a bid to persuade him to moderate his language.

It is far from clear, for example, that the Senate and the House would allow themselves to be pulled into an early confrontation with the Bush administration over a new Middle East peace initiative. The more likely attitude of risk-



Israel scrabbles for a policy

By Andrew Whitley in Jerusalem

ISRAEL'S leaders scrabbled yesterday to come up with a credible response to the US decision to open a dialogue with the Palestine Liberation Organisation.

Washington's dramatic change of heart washed away a central plank of Israeli foreign policy since 1976. Mr Shimon Peres, the Foreign Minister in the caretaker government, acknowledged that Israel was facing a new situation. In a remarkably candid remark to the state radio, he added: "It's a sad day, but we don't have a policy."

The Labour party leader, who has reluctantly accepted the finance portfolio in a new coalition, yesterday repeated an earlier offer of free elections in the occupied territories - to choose Palestinian representatives with whom Israel could talk. However, the offer was hedged around with caveats.

In a coded call to the PLO to call off the year-long *intifada*, Mr Peres said that elections could only be held after a period - months, not years - of peace and calm. He added that all those involved in violence would be excluded from

taking part, whether as voters or candidates; at a stroke disenfranchising the roughly 20,000 Palestinians, many of them community leaders, who have seen the inside of an Israeli jail over the past year.

But the prospects of such elections gaining widespread acceptance within the emerging broad coalition governing the West Bank and Gaza Strip, are slim. Senior Defence Ministry officials said privately earlier this month that they could not imagine the conditions being created for such elections in the foreseeable future.

A cartoon in yesterday's *Ma'ariv*, a mass circulation daily, accurately captured the unflattering stance being adopted by Mr Yitzhak Shamir, the Prime Minister, in the face of the PLO's current diplomatic offensive which has moved faster, and with greater success, than most Israelis would care to admit. While Mr Yasser Arafat was portrayed as a scrawny bird emerging from the sands with an olive branch in its beak, the right-wing Likud leader was the proverbial ostrich with its head buried deep under the surface.

Published before the late night news in Israel, the cartoon's message was just as apt yesterday as it was the day before. Waiting for the storm to blow over, aides to Mr Shamir expressed a fervent wish that Washington would soon see the error of its ways.

"We hope the US will reach the conclusion by itself that this decision was not productive," said Mr Yossi Ben-Aharon, director-general of the Prime Minister's office.

Israel found itself yesterday in the lonely position of facing an unprecedented degree of international isolation over its government's adamant refusal to have anything to do with the PLO - isolation probably more acute even than during the 1982 invasion of Lebanon.

Both sides of the domestic political divide admit that it is a bad blow for Israel that it has met the conditions for dialogue with the US stipulated in an agreement originally made by Mr Henry Kissinger to then Prime Minister Yitzhak Rabin, in September 1976.

Cairo relishes its return to the Middle East forum

By Tony Walker in Cairo

SATISFACTION among Egyptian officials at the US decision to open the door to a dialogue with the PLO was almost palpable yesterday. Egypt believes there is some justification for the belief - that it played an absolutely critical role in bridging the gap between the PLO and Washington in weeks and months of patient diplomacy.

Officials revealed that not only had President Hosni Mubarak written a long letter to President Reagan urging support for PLO moderation immediately after the Algiers meeting of the Palestine National Council last month, he had also sent three messages since last weekend to his US counterpart along the same lines.

Egypt argued that the cause

of moderation in the Middle East would have been harmed had the US had continued to refuse to acknowledge the shift in the PLO position. This was the gist of a telephone call made on Wednesday by Mr Mubarak to Mr George Shultz, the Secretary of State, shortly before the US announced it would open talks with the PLO. "This is a significant American contribution to the process of achieving a comprehensive and durable peace in the Middle East," Mr Osama al-Baz, senior adviser to Mr Mubarak, said yesterday. "It will lead to an improvement of ties between the American people and Arab states." He added that the decision would "maintain the moderate and positive line within PLO ranks".

The US decision is also seen

in Egypt as having significant implications for inter-Arab relations. It is regarded as a further vindication of Egypt's strategy of making and holding to peace with Israel. Mr Tahsin Bashir, a former senior Egyptian diplomat, said that Mr Mubarak had been successful in implementing the Sadat policy of making peace with Israel without alienating anybody in the Arab world.

Effective US recognition of the PLO as spokesman for the Palestinians and Egypt's role in bringing that about is likely to add fresh impetus to efforts to draw Cairo formally back into the Arab fold. Iraq, Jordan and the Gulf States are leading a strong push to restore Egypt's Arab League membership suspended in 1979.

Only Syria, Libya and Leba-

non have not restored full diplomatic relations with Cairo following a decision of the Amman Arab League summit in November, 1981, to allow Arab states to restore ties. Intense mediation efforts, spearheaded by Jordan and Saudi Arabia, are under way to promote a reconciliation between Egypt and Syria in advance of a proposed Arab summit in Riyadh early next year.

The US decision also strengthens and makes more credible a newly-emergent "moderate" Arab axis in the Middle East involving Egypt, Jordan, Iraq and the PLO. Syria, which has been growing increasingly isolated in Arab forums, will not have taken much comfort from the US decision. It is also a blow to

Sweden excels as 'postman'

By William DuBois in Geneva

MR STEN ANDERSSON, the Swedish Foreign Minister, yesterday disclosed details of his important role as a go-between in the indirect negotiations between the US and the Palestine Liberation Organisation.

At a news conference in Geneva he described himself as a "postman, but one who has written some of the letters". Now aged 65, he worked in the Swedish post office before starting his political career.

A crucial meeting took place in Stockholm on November 21 between Mr Khaled al-Hassan of the PLO and five US Jewish personalities. Mr Andersson acted as host but the two sides were left to pursue their own dialogue in the presence of two Swedish diplomats. At the end they asked the Swedes to write a summary of their talks, which they signed.

This summary became the so-called Stockholm document issued on December 7 after Mr Arafat's subsequent meeting with the five US Jews. Mr Arafat accepted the existence of Israel. It was the starting point for further wrangling with the US.



Andersson: mediating role

UN resolutions 242 and 338. Mr Andersson, who realised Sweden could play a mediating role after his visit to Israel, Jordan and Syria in March, admitted that at first he was disappointed with Mr Arafat's speech to the UN General Assembly on Tuesday. "We could not decide whether everything was there. On analysis we found that it was all there but split up and expressed in other words than those used in the Stockholm agreement."

Active Swedish diplomacy on Wednesday, during which Mr Andersson twice met Mr Arafat, talked to Gen Vernon Walters, US ambassador to the UN, and had direct contacts with the State Department, led Mr Andersson himself to spell out in his own speech the three points to which the PLO had agreed.

Finally, at his news conference on Wednesday, Mr Arafat said he accepted all Mr Andersson's points and read out his own statement in English, committing to exist, renunciation of terrorism and acceptance of

OTHER OVERSEAS NEWS

Baluchistan test for Bhutto

By Christina Lamb in Islamabad

MS BENAZIR BHUTTO, Pakistan's new Prime Minister, is facing her first political squall after the governor of Baluchistan dissolved the newly elected provincial assembly only 10 days after it first met.

Ms Bhutto's claims in the National Assembly that she had not been consulted caused uproar. Opposition leaders accused her of acting undemocratically to keep an ally in power in the province before walking out in protest. All the opposition parties have said they will boycott the rest of the budget session.

Political analysts have been predicting a crisis in the province since the election of Mr Zafarullah Jamali as Chief Minister.

Proposed by Ms Bhutto's Pakistan People's Party, which won only five seats in the province, Mr Jamali, an Islamic Democratic Alliance member and caretaker chief minister of Baluchistan under the late President Zia ul-Haq, won only 22 votes, including that of the Speaker, while Baluchistan National Alliance leader Nawab Bugti polled 21.

Mr Jamali has been trying to woo the Jamiat Ulema Islam (JUI) which, with 12 seats, is the largest party. Talks with their leader broke down on Wednesday night, and Mr Jamali, knowing that he was unlikely to survive the vote of confidence in the Constitution demands within 60 days, asked the Governor to dissolve the assembly.

The decision was taken in the early hours of yesterday. Despite the opposition's allegations of Ms Bhutto's interference, the Governor, Gen Mohammed Musa, said yesterday: "I neither informed nor consulted the Prime Minister or President. I acted strictly according to the Constitution which says when a Chief Minister makes such a request, the Governor must comply."

He admitted it was a "drastic action" but said it was necessary because "Jamali's government would have been weaker than a piece of paper."

Although Baluchistan contains only 5 per cent of Pakistan's population, the tribal dominated province has often been able to create problems for central government.

The cost of political brutality to Sri Lankan families

David Housego finds death on a most beautiful shore

THE BRUTALITY seems harsher because of the breathtaking beauty of this stretch of the coastline. On a palm-fringed, sandy cove where small fishing boats lie at anchor, the dead man remains tied to a post - his head slumped forward, the bullet fired into the back of his neck.

In spite of the already hot sun at 8.30 in the morning, none of the passers by have untied the ropes or removed the body to the shade. A note pinned above his head says: "Death is the penalty for betrayal." It is signed by the Peoples Liberation Front (JVP) the Sinhalese movement responsible for much of the terrorism in Sri Lanka in recent months.

Mr Edgar Piyateleka, killed last night as a suspected informer, had eight children. His eldest daughter was in tears at the police station. She says the family had been planning to move to the north where a brother-in-law in the army had found them land.

But in the latest brutalisa-

tion of Sri Lankan politics, terror has also become a weapon of the armed forces, the paramilitary groups who work with them and of regional political bosses. A further 45 miles along the coast, just north of Hambantota, two more bodies have been dumped beside the main road for passers by to see - one shot through the face and the other in the neck.

The notice beside them says "Death is the penalty for JVP members who threaten the families of the armed forces."

Villagers in a house nearby say that in similar incidents the armed forces collect the bodies after a couple of days if the families have not claimed them. A passing ambulance slows down but accelerates immediately it sees the bodies.

In the town of Hambantota, one of the main centres of the south, a political leader says he believes that more than 1,000 JVP supporters have been killed in the area in the last few weeks since the security forces began their crackdown



on the movement.

Mr D.D. Herath, the senior government civil servant for the west, believes this figure much exaggerated. But he says: "I am told everywhere that these dead (JVP) bodies are restoring (public) confidence."

Until 10 days ago, he says, local government officials refused to report for work for fear of JVP threats to kill them if they did. But one morning

the dead body of the man believed to be the JVP's intermediary in issuing such threats was dumped outside the government offices. Mr Herath maintains that this was the first step in breaking the JVP's hold and that now his staff are working enthusiastically.

Military and police officers, government servants, political leaders and doctors all agree that the JVP has taken a tremendous battering in the south - once their stronghold in the country - since the peak of their power in early November when they could easily paralyse the country. Shops are open everywhere, trucks and buses (many under armed escort) are moving down the roads, banks in Hambantota got their first replenishment in cash yesterday with a plane bringing rupees 3.2m, and JVP posters are far less common.

"The JVP can't do anything now," says Mr H. Wijesinghe, party organiser for the Sri Lanka Freedom Party, the main opposition party, in Hambantota. "They have gone

underground," he says. A senior policeman says "They are a spent force" in terms of their public image.

Such optimism is almost certainly premature. In the big sweep in the southern half of the country over the last six weeks, thousands of people have been taken into custody and hundreds killed - there are no reliable figures. Killings by different political gangs have added to the toll.

But Brig C.L. Algama, head of military operations in the south, says thousands have found few of the 2,000 subguns and 80 automatic weapons that the JVP is known to have lifted in recent months from government arms depots. They also do not appear to have laid their hands on the movement's main leaders.

The combined brutality of the JVP and government-backed military and paramilitary forces has left villages in the south in a state of shock.

"Everybody here lives in fear," said a doctor yesterday. Outside a lawyer's office in nearby Tangalle, a pathetic

crowd of people waited for help on how to get news of sons who had disappeared in police round ups.

In terms of next Monday's presidential election, the much weakened grip of the JVP means they are much less able to enforce their call to boycott the election. The surprise on Monday could be a high turnout and a strong anti-government vote in the south. Officials in the area believe Mr Sirimavo Bandaranaike, the SLFP candidate will win.

Both government officials and security officers maintain they have put in place the machinery needed to ensure that voting will be fair. But a free vote remains an abstraction in an area where bodies are dumped by the roadside to warn people of the perils of making enemies. What is still impossible to know at this stage is whether the killer squads - not only the JVP but those of the paramilitary forces and the political bosses - will be at work in the run up to the election so that people vote according to the dictates of fear.

Gurkhas settle for hill council

By K.K. Sharma in New Delhi

A VIOLENT separatist movement by Gurkhas settled in the tea-growing Darjeeling district of West Bengal came to an end yesterday when elections were completed to a hill council agreed to by them as a compromise.

Although the Gurkhas, led by Mr Subhas Ghising, a former Indian army sergeant, never sought secession as had the Sikhs in Punjab, their two-year-long agitation for a separate state carved out of Darjeeling district had the same ingredients of violence and terror.

Nearly 200 people were killed during the agitation, which brought tourism to the popular hill stations of Darjeeling to a halt and seriously affected the economy of the area. The demand for a separate state was rejected both by Mr Rajiv Gandhi, India's Prime Minister, and Mr Iyad Ballu, the marxist Chief Minister of West Bengal.

Mr Ghising's initial refusal to accept anything short of a separate state gradually gave way to talks on a compromise when he found his movement falling into the hands of extremists. He finally agreed to the formation of a hill council for the district where the Gurkha settlers are in a majority.

The agreement on the compromise was signed in August, 1981, and was then hailed as heralding a way out for similar separatist demands made by minority communities in many parts of India. The hill council has few powers but goes some way towards satisfying the political aspirations of the local Gurkhas.

In results of the elections announced yesterday, Mr Ghising's Gurkha National Liberation front won 23 out of 26 seats in the 49-member council. The rest of the members will be nominated.

Botha overruled

The South West African Supreme Court has overturned President P.W. Botha's order to halt the trial of four soldiers accused of beating to death a black man. AP writes from Johannesburg. He had relied on a law that determined members of the security forces acted "in good faith" to combat terrorism they could not be brought to trial.

Bureaucracy blights China's steel industry

Inefficient transport and production have created a crisis, reports Colina Macdougall

UNBELIEVABLY, China - which this year has suffered one of its worst steel shortages ever - keeps 27m tonnes of the stuff, about 40 per cent of its annual output locked up in warehouses which it unbolt only twice a year to allow desperate end-users to take their ration.

The stockpile has crept up annually from about 20m tonnes in the early 1980s, and is now consuming yuan 16bn (£104bn) each year in storage costs. Why? because the bureaucracy in charge, China's Storage and Transportation General Corporation, is normally only prepared to move materials every six months or so.

Hoarding aggravates the problem. The Ministry of Materials and Equipment alone was said to have 2.5m tonnes of steel products in store. Enterprises do the same, fearful in case they run out in times of shortage.

This has sent prices into

orbit. Free market rolled steel (the surplus produced by plants which have fulfilled their government contracts) now sells at yuan 1400 per tonne or more, at least twice the state price of yuan 700. At an October trade fair for commerce officials in Peking, huge crowds gathered in the search for thin-rolled steel plate, round steel and wire rod.

"The gap between market prices and those set by the state offer a golden opportunity for profiteering," said China's Outlook magazine recently, echoing nationwide complaints about black marketeering.

Perhaps the most striking example of how the gap is exploited was the factory which simply sent the workers home and closed down for the year. The management kept everyone comfortably supported by selling the fixed-price state steel allocation at the market price.

Producing steel has been fraught with problems too. The

year's total output is thought unlikely to meet the planned target of 8m tonnes. Besides the worse-than-usual energy situation, scrap steel needed for the steel-making process has been desperately short.

Steel plant managers have been scuttling round the country to buy enough scrap to keep the furnaces going. Even in normal times, China's use of scrap in steel-making is only about half that of the developed countries' average of about 500 kg per tonne, the China Daily explained. This year the ratio will be lower.

A fair bit of cheating has gone on. The Tangshan Iron and Steel complex bought 38 tonnes of scrap steel in September for yuan 280 per tonne, but found 80 per cent of it was hricks and tiles. "We really could not believe it," said Liu Jirui, one of the company's managers. He faced price rises every two days, he complained, because most local scrap went to nearby Tianjin where sellers could get more.

By the autumn, Tianjin had become a key centre of the scrap black market and some of the dealers even obtained export licences. Steel plants all over China were suffering from these exports, desirable from the dealers' point of view for the foreign exchange and foreign goodies they generated, but damaging for steel production.

Even lawful exports of scrap rocketed with this year's decentralisation of powers to the localities. Li Xiaoguang from the Ministry of Metallurgical Industry pointed out last month that international prices for scrap were higher than China's domestic ones, so naturally the international market sucked in the Chinese commodity. "These local governments give foreign trade top priority," he said bitterly.

Pig iron got the same treatment. Half a dozen companies, for example, tried to export over 12,000 tonnes of ferro-silicon and pig iron through Tianjin with forged export permits

and bogus inspection certificates. In Guangdong trade officials were condemned by Peking for over-issuing iron export licences.

"Production of pig iron in China cannot keep up with steel production" Li Xiaoguang said, adding that this year's exports had led to a 35 per cent drop in stocks in January-June compared to the same months last year. And the steel plants can't afford the new price, which has doubled from yuan 280 to yuan 580.

In mid-November the ruling State Council announced new rules for steel trading which could, in theory, alleviate the situation. These include insistence that production plans be fulfilled, free-market trading regularised, ceiling prices enforced and consumption by poor-quality factories restricted. But this will not be easy to achieve in the China of today where wheeling and dealing has become a way of life. In part because of bureaucratic incompetence.

Party considers challenge to Lange

By Dal Hayward in Wellington

NEW ZEALAND Labour Government MPs will hold a special meeting today, to change party rules so that a challenge to the leadership of Prime Minister David Lange can be held before Christmas.

Mr Geoffrey Palmer, the deputy Prime Minister, said yesterday that the leadership issue would probably be decided at another special meeting of MPs next Wednesday.

He was confident Mr Lange would see off any challenge to his leadership. Mr Roger Douglas, the former finance minister, sacked by the Prime Minister on Wednesday, is the only one to challenge Mr Lange but he probably recognises he is unlikely to raise the support to beat the Prime Minister. He was hoping the vote would be delayed until February, allowing time for a stronger challenger to emerge.

A Heartland Banker Views Japan And The World

Why has Japan become so strong economically? Are there limits to its growth? The president of one of Japan's leading banks examines cultural influences on Japanese success.



Mr. Kiichiro Itoh, President of The Tokai Bank Limited

In the heart of Japan lies the Tokai region. Centred on Nagoya, Japan's third largest city, the region is halfway between Tokyo and Osaka. Like most heartlands, it is known for its solid, steady conservatism. It was from this region that sprang the dominant force of Japan's medieval feudalism, the Tokugawa Shogunate.

The industrial structure of Tokai is characterised by the strength of its secondary industries, with high value-added assembling industries as their core. Tokai is moreover the home of some of Japan's major global companies, including Toyota Motor and Honda Motor.

The Tokai Bank is the only Japanese city bank headquartered in Nagoya. Tracing its origin as far back as to 1877, the Bank today has a worldwide network of 49 branches, offices, subsidiaries and related institutions.

In the Tokai region, conservatism blends easily with rationalism and internationalism. Kiichiro Itoh, President of the Tokai Bank, fits the same pattern. He has spent all his working life with the Tokai Bank, assuming the top position in June 1988 at the age of 59. Itoh, a classical music fan with a reputation for enlightened management, sets out his views on Japan's growth and its cultural roots, social changes and future outlook.

Economic Success

Itoh attributes Japan's successful modernisation and rapid growth to the driving desire of the Japanese since the Meiji Restoration in 1868 to "catch up and overtake" the level of the industrialised countries in the West. This driving force was renewed after World War II, as the nation found itself facing the enormous task of reconstruction.

The underlying factor of this driving force is the traditional work ethic of the Japanese. Itoh believes that the egalitarian society which grew from post-war democracy enhanced the traditional work ethic. Everyone had a chance to succeed, if one tried hard enough.

Strong work ethics prevail throughout the Sino-culture countries—China, Korea, Hong Kong, Singapore, Taiwan, Japan, etc. In Itoh's view, Japan's work ethic arose from necessity: The country is poor in natural

resources and the Japanese have always felt that they wouldn't be able to survive without hard toil.

The Sino-culture countries have the Confucian values in common, strong family ties, hard work, and respect for education. This is what the East-Asian economic vitality manifests.

He views the Koreans as having an incredible capacity and will to absorb new ideas and technologies. Nevertheless, Korea, having huge conglomerates like Hyundai or Daewoo or Samsung, has some features which are quite different from the Japanese economy. Korean decision making is much more of a "top-down" structure than in Japan, but he believes their economy will become more like Japan's in the future. For example, "Some restructuring of middle-level enterprises might stand to appear in the wake of the Seoul Olympics," says Itoh.

Furthermore, Itoh claims that the secret of Japan's success is the personnel system within companies; attitudes to people and the thorough training employees receive. "Companies like ours are in the last analysis run by the people, for the people. It is our attention to these details that probably makes Japanese companies strong."

As Japan attains higher and higher levels of technology and economic affluence, the Western economies that have long been its models offer fewer lessons. Itoh says the relative decline in the position of the West stems from its attachment of less value to manufacturing or creating new goods, an understandable view for a banker based in the Tokai region.

Itoh suggests that Japan's cultural roots are quite similar to those of North Europe. Both had feudalistic societies with two main characteristics—attention to basic education and an emphasis on manufacturing. "In the feudalistic society, one had to make good products for the livelihood of the group in a village. It was more important to be diligent than clever," says Itoh. This practical way of thinking underlay the Industrial Revolution and persisted in Europe until about 50 years ago.

Japan's New Generation

In the West today, it seems that the intellectual or the speculator who

makes money is more highly respected than the man who makes things well and diligently. Itoh fears that Japan's new generation might adopt the same philosophical changes. He is also apprehensive about weakening family ties and the changing quality of education in Japan.

"The new generation which knows only of affluence is more individualistic. Maybe they have been influenced by the postwar education system and the nuclear family, which seems to make people more egoistical. They seem to have a peculiar way of adapting to situations. They don't throw their opinions at you and seem to be trying to adapt only half-heartedly to their surroundings. They only want to go halfway in involving themselves in the company."

Postwar education in Japan has made the school unit central to the child's identity. This has instilled a strong group awareness, and it is in this sense that postwar education is more "Japanese" than in prewar days. Students are not encouraged to think broadly or to have their own opinions. "The modern generation seems to be working a bit hesitantly because they don't want to be criticized for working too hard."

Despite this changed new generation, the Japanese economy is still likely to expand faster than its Western counterparts, as working hours are longer and people take very brief vacations. Itoh himself was able to take only four days last summer.

Internationalisation

Itoh believes that the Japanese economy is based on the fact that the country has no natural resources. Of necessity it has an export-oriented structure; for its economy to grow, it has to import and process materials and export finished goods. "If there were any sudden changes in the fundamental structures that are supporting the present economy, Japan would then be in trouble," points out Itoh. He, thus stresses the importance of the relationship between the manufacturing industry and technological development. "I don't think we could be self-sufficient by staying only with software development."

The sacrifices which have been forced on the manufacturing sector by the appreciating yen have been enormous.

"When we look at automobile manufacturers or the consumer electric companies, we feel that they are really trying with their blood, sweat and tears. It's like taking a dry towel and repeatedly trying to squeeze out some water. We wonder when they will reach their limit and I can't help thinking that the limit is very near. I am very worried about the blows the Japanese economy will suffer if the yen gets any stronger. So far, companies have managed to counter this negative influence by drastically streamlining their operations, expanding their sales and similar expedients."

Itoh understands the dilemma inherent in his thesis. While export-oriented manufacturing created today's prosperity, it has also brought about trade friction with Japan's trade partners. "We must try to aim for a harmonious growth. My idea of manufacturing includes information, housing, improving the social infrastructures, and everything linked to the expansion of domestic demand in order to avoid external friction," asserts Itoh.

Once Japan has done all this, he anticipates that in about three decades, the Japanese will enjoy one of the highest standards of living in the world in a real sense. Today, despite one of the highest per-capita incomes in the world, the Japanese have to endure a relatively low standard of living.

"Japan should open up more, become more international and do more to contribute to the world. I want it to become a much freer and more open, international society. Even though changing people's attitudes will take time, if we don't expedite the process, Japan could well become an international outpost. We need to look seriously at what we could do to start thinking like the rest of the world. Even something like the appreciation of the yen had to be forced on Japan by foreigners."

Itoh regrets that in the spiritual sphere, many feel a certain emptiness. "For example, we make excellent cars, everything is efficient and rationalised. But you don't find hand-made cars as you do in Europe or America. People work hard, but when they reflect on it all, they find that even though they have made money in some ways they still remain poor," laments Itoh. From the Meiji period a

certain hardness entered the Japanese soul, according to him, as people came to feel backward and were determined to catch up.

Relocating Japan's Capital

One of the most controversial issues in Japan is whether to change the country's capital from Tokyo, which is overwhelmingly the predominant political and business centre. The government, major businesses, mass media, and educational institutions are concentrated in Tokyo. The capital's monopoly of virtually all important aspects of national life has resulted in immense distortions; due to prohibitive land prices, average workers no longer can hope to own their home near Tokyo, for instance. Thus, many argue in favor of shifting the capital elsewhere.

Itoh has been advocating moving the capital to Nagoya in recent debates. "Having too many things concentrated in Tokyo, is distorting politics, the economy and other social activities. We need to correct this. If there were to be a major earthquake, Japan's entire economy would become as a vegetable. There are sound arguments backed by statistics for suggesting that the central part of Japan is the most appropriate place for a new capital, but what upsets us is that some people like to believe that we advocate this area just because we ourselves come from Nagoya. Nagoya simply is most central in terms of access, population, and regional position," argues Itoh.

"The main point is to move the capital from Tokyo. The fact that the U.S. capital happens to be Washington is irrelevant. Major cities like New York, Los Angeles, Detroit and Atlanta compete with each other without any one having the unfair advantage of being the capital."

"I think the same could happen in Japan once the capital was relocated. Of course, Tokyo would remain strong. But it would no longer be the absolute power. What is essential is to avoid too much concentration in one single city, to the point where the others can't compete. It is important to develop each region evenly, through separation of functions. This way, we could also create a more human environment," concludes Itoh.

AMERICAN NEWS

Canada strikes down law on French-only signs

By Robert Gibbens in Montreal THE Supreme Court of Canada has overturned the law that allowed only French public and commercial exterior signs in Quebec. It has ruled that bilingual or French signs are legal under the province's Charter of Rights and the Canadian constitution, but that English signs are not permitted.

The Supreme Court struck down Article 58 of Quebec's controversial French Language Charter or Bill 101, passed by the separatist Parti Quebecois government in 1977 to protect the French language - in practice in multilingual Montreal, the province's economic hub. The law banned the use of unilingual English signs and of bilingual French-English signs. The court's judgment, covering two cases involving commercial signs, was about 100 pages long. It was being stud-

ied by all governments and Quebec Liberal Premier Mr Robert Bourassa went on French language television within a few hours. Mr Bourassa promised action early next week in the National Assembly to deal with the judgment. Most probably he will amend the wording of Article 58. The judgment clearly recognizes the right of Quebec to take legislative measures to protect the French language and to insist that French continues to be the most prominent language in exterior signs. Some have suggested that exterior signs should be French only, while interior signs could use other languages. Mr Morton Brownstein whose shoe store chain has waited five years for a decision on bilingual signs, said anglo-

Peru ruling party faces power struggle

By Veronica Baruffati in Lima A BITTER power struggle between supporters of President Alan Garcia and those of Senator Luis Alva Castro is likely to dominate the 18th congress of Peru's ruling American Popular Revolutionary Alliance, which begins tonight. Mr Alva Castro, a former prime minister, is hiding to become the next Apra secretary general against opposition from Mr Garcia, the party leader.

The three-day congress, to be staged in the revamped Apra headquarters in downtown Lima, will bring together 1,500 delegates, consisting of MPs, provincial mayors, various trades and professions, the Apra youth, and others. The four areas to be discussed are political affairs, regionalisation, violence and terrorism, and party organisation and ideology. The congress will culminate on Monday with the election of the national executive committee.

Other than the president's inaugural address and the announcement on Monday night of the election of the new national executive committee, events will take place behind closed doors. Internal power struggles within the party were accentuated on Tuesday by sharp criticism from Mr Rigo Otero, a close presidential adviser, that the congress was running the risk of "becoming a conclave of bureaucrats or potential bureaucrats defending their own interests. There will be no true social representation."

President Garcia has been losing support since September, and this attack has been interpreted as an attempt to deprive the congress of authority. The president has already had congress postponed four times, in the hope of rallying more support, but this time it was impossible to sway the organising committee.

Many are betting that Mr Alva Castro will become the new Apra secretary general, and from that position, a joint push for the dual role of Minister of Finance and Prime Minister, a role he played at the beginning of the Apra administration of 1985.

Argentina admits deal with rebel soldiers

By Gary Mead in Buenos Aires

MR Horacio Jaunarena, Argentina's Defence Minister, has confirmed suggestions by senior generals that the four-day rebellion by army units two weekends ago was resolved by an agreement between General Jose Dante Caridi, the army chief of staff, and military leader Colonel Mohamed Ali Seineldin. Mr Jaunarena said that while Gen Caridi and Col Seineldin disagreed on the methods used, "certainly they agree on the necessity of improving pay and the military budget."

Earlier this week all serving and retired armed forces personnel had their salaries raised by 20 per cent, with an additional \$100 one-off lump sum payment to be distributed before Christmas. Mr Jaunarena did not go into details of the accord between the rebels and Gen Caridi.

These are reliably believed to include an amnesty for officers now in jail or awaiting trial for human rights violations under the 1976-1982 military dictatorship; the resignation of Gen Caridi; and a reintegration of the armed forces into wider social esteem, against what the rebels have described as a "campaign of dishonour" conducted against the armed forces for their part both in the Falk-

lands war of 1982, and also in the so-called "dirty war" of the late 1970's, carried out against widespread terrorist actions. Gen Caridi added, at a ceremony promoting Gen Isidro Garmendia, who played a crucial intermediary role during the insurrection, to head of the Second Army Corps in Rosario, that the agreement ending the rebellion "did not nor does not compromise the political authorities".

Chile's private pensions boom

Success may overwhelm the capital market, reports Barbara Durr

OF ALL THE free-market reforms of the Pinochet regime, the 1981 privatisation of the pensions system is likely to be its most far-reaching and lasting. Today, the pension funds constitute the most significant element of Chile's national capital market, and according to the state Superintendent of Pensions Fund Administrators, Mr Juan Ariztia, they are providing pensions 1.7 times larger than in the old public system.

Despite the new system's improvement, critics say it dangerously outweighs the absorptive capacity of Chile's emerging capital market and that the state still bears an undue financial burden. They also say the system should be more socially equitable. If an opposition government comes to power next year, as is predicted, some changes in the system could be in store.

The private system covers 3m of Chile's 4.5m workers, or approximately 66 per cent of the labour force, about the same as the old state one. Salaried workers are obliged to belong to one of the 13 pension funds, which are managed by private companies known as Pension Fund Administrators (AFPs).

Workers contribute to the AFP of their choice, an average of 13.5 per cent of their wages, paying monthly a commission plus 10 per cent of earnings. Contributions to the old system averaged 25.3 per cent. Employers make the payments automatically out of salaries. The state, however, continues to service the pensions of approximately 400,000 workers who did not switch to the private system because they were

near retirement. Also, the armed forces remain in a publicly administered system. The Government estimates that its social security burden will drop off substantially by the late 1990s, as those who have been pensioned die. None the less, the state's social security obligations, apart from the military, will continue.

In particular, the Government guarantees all workers a minimum pension, equivalent to the minimum wage. When the AFP's have become so powerful that they single handedly determine medium and long term interest rates. They are the largest purchaser of government paper and crucial fine tuning of the economy, including the size of the internal debt and the budget deficit, is tied to them.

contributions to a private pension fund are insufficient, the state is to pick up the tab. AFPs now hold \$3.3bn, or about 17 per cent of Chile's GNP, and they registered a 26.9 per cent growth rate in 1988, the fastest of any entity in the capital market. Comparatively, banking expanded just 1.6 per cent to \$13.3bn and the stock-market rose just 6.8 per cent to \$5.6bn this year over last.

According to Mr Santiago Berguecio, chief of the financial division of the AFP superintendency, the AFP's "growth is so explosive that they will be the most critical source of savings in the future."

The real average profitability of AFPs has run in past years as high as 14 per cent and last year it was 9.7 per cent. This year real profitability will run an average 8 per cent, Mr Berguecio said.

The relative size of the AFPs is, however, becoming problematic for the country's small capital market. Mr Francisco Perez, the financial director of Provida, one of the largest AFPs which is 40 per cent owned by Bankers Trust, says, "there is a mismatch. We have the pension system of a developed country and a capital market that is just developing." He believes that one of the most serious challenges for

Mr Jose Pablo Arellano, a leading economist, says this is a case of the tail wagging the dog. "Everything is developed to meet the needs of those who have funds, not of those who need them. This is the reverse of what occurred in the United States and Britain. He believes that the outsized AFPs present additional risks for a financial crisis if the economy slips. This could be aggravated if AFPs move into old assets rather than new productive investments.

There is sensitivity, too, about foreign control of the AFPs given their investing power. Apart from Bankers Trust, the US insurance companies Aetna and AIG own 51 per cent of AFP Santa Maria and 60 per cent of the AFP union respectively. The Japanese Mitsumori Sboji investment group also controls the AFP Invierta.

Mr Arellano also contends that the AFPs comparative advantages for individual workers may not be so real as apparent. The AFPs postponed the retirement age to 65 for men and 60 for women, which has permitted not only reduced contributions (over a longer working life) but also increased pensions (over a shorter retirement). Under the old system, workers could retire after 30 years on the job, making their pensionable lifespan longer than under the new system.

WORLD TRADE NEWS

Caribbean states apprehensive of trade pact changes

Canute James reports on growing realisation of the pros and cons of preferential treatment

THESE ARE testing times for countries in the Caribbean Basin which have been struggling to increase their exports. Most are beneficiaries of trade preferences offered by the European Community, the US and Canada, but there is more than a passing degree of concern in the region about impending changes to the preferential programmes offered by both countries. "I would hope that we are not in danger of being overwhelmed by all these changes which are taking place," Mr Mannel Esquivel, Prime Minister of Belize, said at a conference in Miami to discuss Caribbean trade.

Belize is a beneficiary of the Lomé Convention, the CBI and Caribbean. "I think we are in danger of growing up. We are being bombarded from all sides by very significant and very complex developments in the developed markets and this is forcing upon us a position closer to centre-stage. I think we are coping and we are quickly learning what it is like."

By all indications, the trade preferences and the special and sometimes protected market access that they offer have not been reflected in the performance of Caribbean trade, particularly since the mid-1980s when the CBI and Caribbean were implemented.

Mr Spiros Voyatzis, chief of the World Bank's Caribbean Division, referred to a "paradox" in the region's trade patterns which have been dominated by a loss in competitiveness for the region. "The Caribbean has the CBI, Caribbean and Lomé, but despite this the region's share of the EC, US and Canadian markets has been reduced by 20 per cent between 1980 and 1986," Mr Voyatzis reported. "Some products are up, such as textiles, but primary products have fallen on all three markets despite the trade preferences."

While accepting that the trade preferences have not been failures, although they have not achieved as much as was expected, the donor countries suggest that had these special pacts not been in place the Caribbean would have fared far worse than now. Mrs Donna Tuttle, deputy secretary in the US Department of Commerce, reported that the value of US merchandise imports from the Caribbean has risen by more than one third since 1981, and by more than one quarter since 1984. "However, since 1983, petroleum and petroleum products share of the Caribbean's exports to the United States has declined from 57 per cent to 22 per cent," she said. "At the same time, however, the

manufactures share has risen from slightly less than 17 per cent to nearly 38 per cent. The proposed changes in the CBI, if approved by legislators in Washington, will double the lifespan of the programme from its original 12 years. But the region is unlikely to get key additions to its duty-free

US acts against Japan on air tickets

By Stefan Wagstyl in Tokyo

A US-JAPAN trade dispute has appeared out of the blue over the sale of airline tickets, just as the two countries try to maintain calm over the much bigger issues which divide them such as macro-economic imbalances and agricultural policy.

The US Transportation Department said on Wednesday it would ban Japan Airlines from issuing flight tickets via computerised systems throughout the US.

The move was made in retaliation for JAL's persistent refusal to co-operate with Apollo, a hooking system which United Airlines, a US carrier, is trying to expand. JAL is refusing to allow Apollo to handle JAL bookings in Japan. JAL wants to channel bookings through its own system called Axxess.

United filed a complaint with the US Transportation Department claiming that JAL's refusal to allow Apollo to be sold through Apollo was unfair. The Transportation Department has now agreed. JAL, which has 21 days to file an objection, said it would go to the US courts if necessary.

Bush speaks out over agricultural subsidies

MR GEORGE Bush, the US President-elect, yesterday conceded that it was hard for some US trading partners to overhaul their farm programmes and said progress in trade talks might be made towards an accord falling short of US goals. Renter reports from Washington. Mr Bush said he realised that the European Community and Japan found it difficult to accept the Reagan Administration's "Utopian" demand that all trade barriers and almost all agricultural subsidies should eventually be eliminated. But, he said, progress towards a negotiated agreement could be made in the Uruguay Round of the General Agreement on Tariffs and Trade, which broke off last week with the US and the EC

at odds over agricultural reforms. He said: "Yes, we aspire to a world with no controls, if we could ever have that, in the Utopian sense." We realise this causes great difficulty for the Japanese and for the Europeans. So somewhere short of that, though, we can make progress. It was not clear whether Mr Bush meant to indicate that when he assumed office on January 20 he would back off President Reagan's demand that members of GATT agree to scrap all farm subsidies which distort trade. Mr Bush said he did not expect to have a trade war with the EC. "We're dealing with friends, we're dealing with allies, we're dealing with reasonable people."

Jakarta to pursue power plan despite World Bank criticism

By John Murray Brown in Jakarta

PLN, Indonesia's heavily debt-ridden state electricity utility, is to go ahead with development of the 1,600-megawatt Palton power station, despite the fact that the World Bank has threatened to withdraw funding for the project. A consortium led by Sumitomo of Japan has signed a letter of intent, while talks with the World Bank remain bogged down over demands for an increase in PLN's domestic electricity tariff. The project, which is sited in East Java, is for the first two 400 MW power units, worth around \$300m (\$184m). Combustion Engineering of the US is to build the boilers using a \$60m US Export-Im-

port Bank credit in joint venture with PT Pal, the state-run shipyard at Surabaya. A Mitsubishi-led consortium, which included the Canadian subsidiary of US boiler-makers, Babcock & Wilcox, was also competing. PLN is looking at ways to finance the scheme. The World Bank argues for higher electricity rates at a time when PLN's budget, like other state companies, is cut because of Indonesia's falling oil receipts. The bank insists PLN provide an economic return for an investor, particularly under build-operate-and-transfer financing, where lenders recover costs by charging consumers for electricity.

World Bank approves Algerian farm loan

By Francis Ghiles

THE World Bank's board has approved a \$100m (680m) loan to finance Algerian farming. This is part of a \$200m co-financing deal, half of which is being provided by the Export-Import Bank of Japan. The maturity of the loan is 15 years with a grace period of five years. The loan is part of the World Bank's increasing activity in Algeria which, over the past few years, has focused on helping to develop water resources and agriculture. Reforms aimed at boosting production on the land have been implemented since 1985 with large price increases granted to producers of cereals, dairy products, meat, vegetables and fruit. Meanwhile 3,000 state farms have been sold to private individuals while others

have been let to private co-operatives on long leases. The board of the World Bank is expected to approve, early in 1989, a further loan amounting to \$50m to help Algeria fight what has been, this year, the worst plague of locusts for 30 years. Until now, Algeria has been buying sprays and equipment needed for its anti-locust campaign on commercial terms. The World Bank has loans worth \$2.14bn outstanding to Algeria. Loans worth \$371m were extended in the fiscal year to July 1988 and a further \$400m could be arranged in the 12 months to July 1989. However, because of a bunching of repayments on earlier loans, Algeria is a net repayer to the Bank this year.

Canada Opposition delays trade bill

THE Canadian Government has re-introduced legislation to implement the free trade agreement with the US, writes Our World Trade Staff. The bill was immediately the subject of delay tactics by the Liberal and New Democratic Opposition. The government of Mr Brian Mulroney won the November 21 federal election with a campaign that revolved around the agreement. Mr John Crosbie, Trade Minister, said he hoped the deal could be in place by the end of the year. President Reagan has signed a proclamation to implement the provisions of the US-Canada accord cutting tariffs and duties.

Brussels seeks more East bloc accords

By David Buchan in Brussels

THE European Commission is to ask EC governments for the go-ahead to start negotiations for trade and co-operation agreements with Poland and Bulgaria, as well as for a textile agreement with the Soviet Union.

In the past six months, the Commission has concluded trade agreements with Hungary and Czechoslovakia and held preliminary talks with Soviet officials with a view to beginning talks next year with Moscow on a wide-ranging trade and co-operation accord. At the same time, however, the Commission announced yesterday the opening of a dumping investigation on exports to the EC of methanamine chemicals by five East European countries - Bulgaria, Hungary, Poland, Romania and Yugoslavia. This follows a complaint by CEFIC, the European chemical industry federation, which has alleged that the margin of dumping on these sales has risen from 10 to 35 per cent, with the result that prices on the Community market have stagnated despite a 30-40 per cent rise in raw material prices during 1988-87.

The Commission said yesterday it would investigate dumping complaints against South Korean and Japanese exporters of photographic albums.

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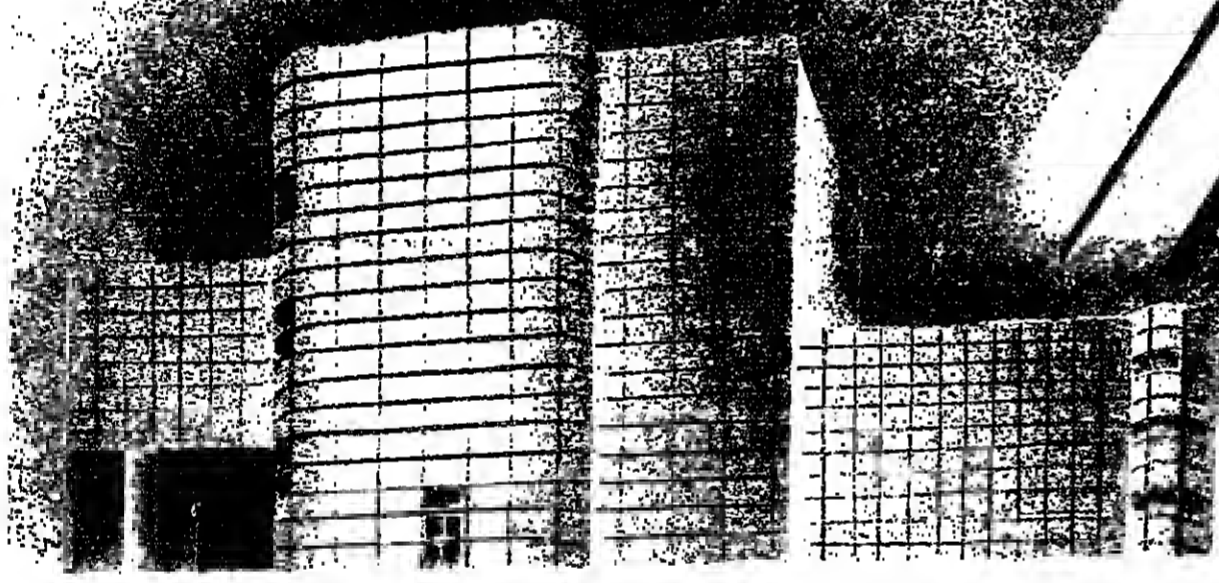
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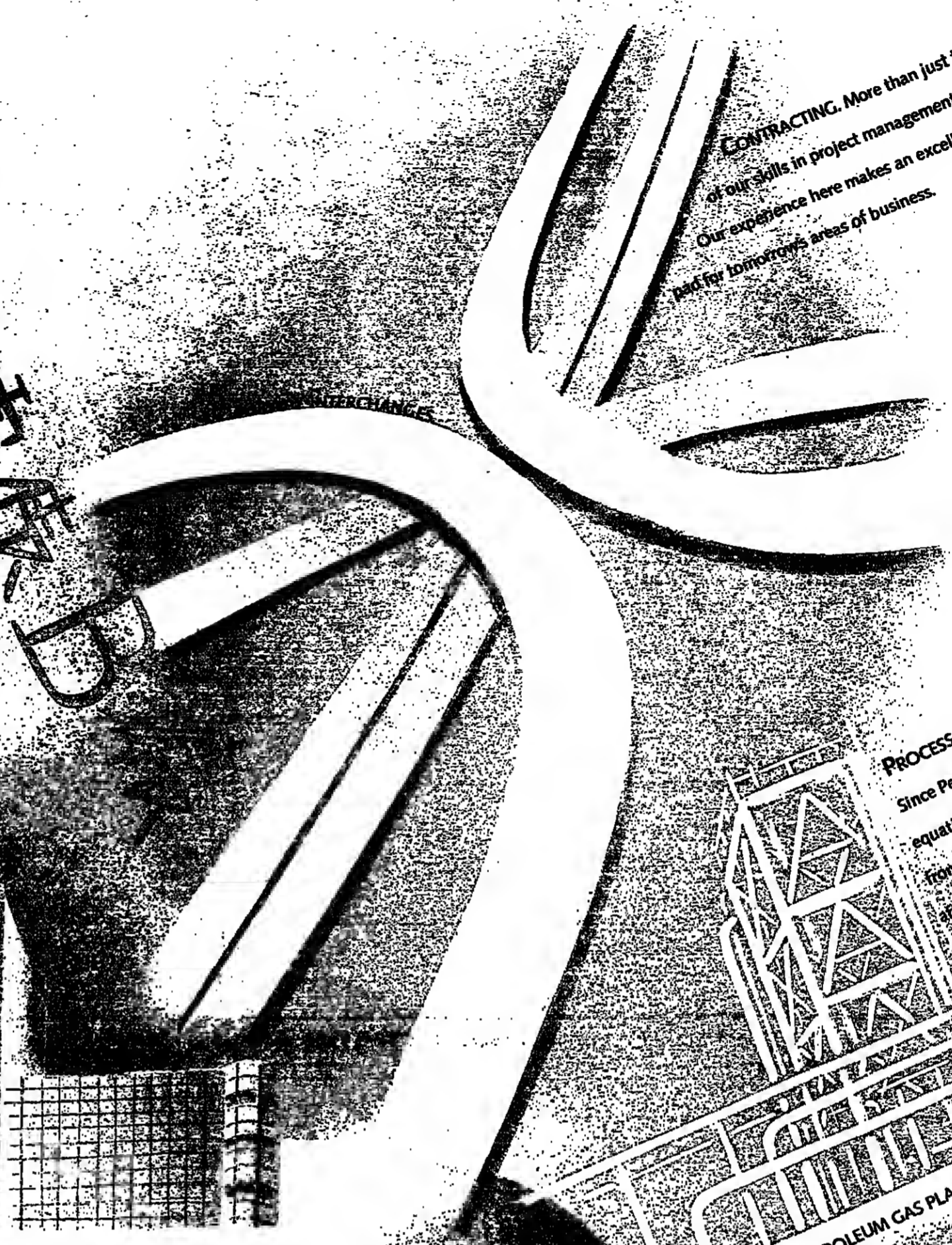
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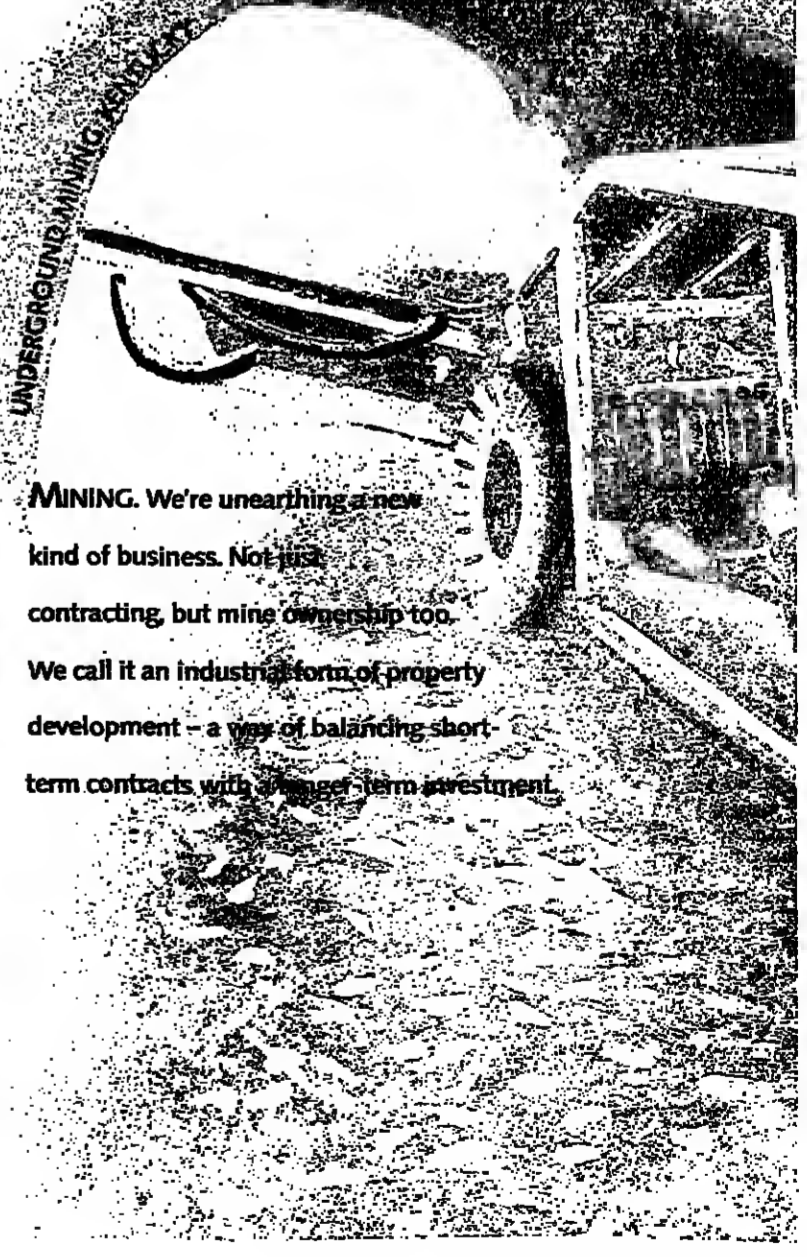


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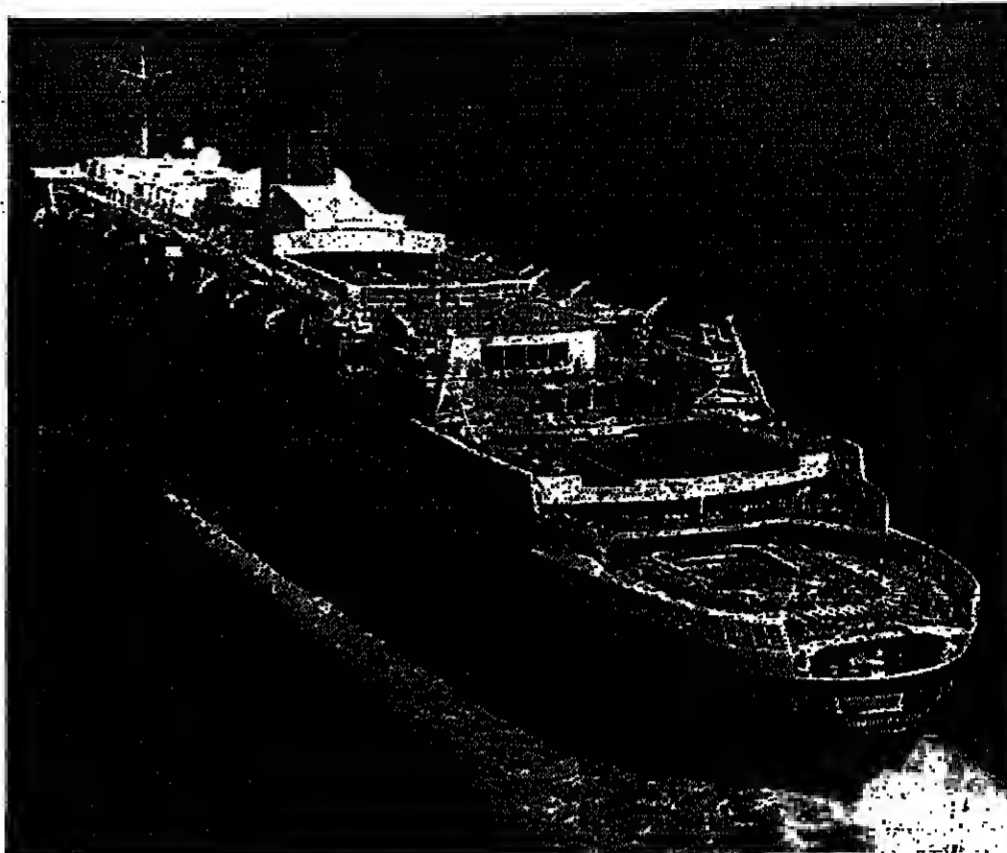


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UK NEWS



The Queen Elizabeth 2 (QE2) set sail for New York yesterday on the 50th anniversary of the launch of her mother ship, the Queen Elizabeth. The occasion was celebrated in Southampton earlier this week at a lunch presided over by the Queen Mother who launched the original luxury cruiser. The round South America and Circle Pacific cruise has the most expensive accommodation afloat, at £24,770 for two in the Queen Elizabeth or Queen Mary suites.

Shoe makers call for import curbs

By Alice Rawthorn

AFTER months of intense competition from increasing imports, the beleaguered British footwear industry is lobbying the European Commission for the introduction of restraints on imports of footwear from the Far East. The British Footwear Manufacturers' Federation (BFMF), the trade body representing the industry, has been assessing the damage caused by the increase in imports. Earlier this week it made formal representations to the Commission on the imports issue. The federation is pressing for measures to restrain the influx of imports from Taiwan and South Korea, the principal sources of footwear in the Far East. It is also keen to secure action to prevent "dumping" - whereby products are sold in an export market for less than the cost of produc-

tion - from Far Eastern countries. Italy and France have already mounted successful lobbies for restraints on footwear imports from Taiwan and South Korea. The British industry is now attempting to follow suit. In recent weeks, footwear industries throughout the European Community have pressed the Commission for action against imports. This could take the form of restraints for individual markets, such as Britain, or of measures which apply across the Community. Mr Michael Fielden, director of the BFMF, said some form of action from the Commission was "essential" because the pressure on the British industry had "never been greater". Since last autumn the footwear industry has suffered a

dramatic increase in imports chiefly from Taiwan and South Korea - fuelled by the strength of sterling against the US dollar and related Far Eastern currencies. This influx of imports has imposed intense pressure on profitability, particularly among women's shoe makers based in Leicester, in the East Midlands, and Lancashire in north England. Most of the larger manufacturers have suffered sharp falls in profits. Some smaller companies have gone out of business. The rate of import growth has slowed down in recent months but the pressure on pricing, and hence profitability, is still intense. Mr Fielden said that, unless the influx of imports is checked, "a large number of companies will be driven to bankruptcy."

Overseas partnerships urged for lawyers

By Raymond Hughes, Law Courts Correspondent

ENGLISH solicitors may soon be allowed to go into partnership with lawyers from other countries if recommendations published yesterday are implemented. The international committee of the Law Society of England and Wales has suggested that the profession should accept in principle the idea of permitting solicitors to enter into partnerships in England and Wales with Scottish and Northern Irish solicitors, and with lawyers from other European Community countries.

After the practical questions relating to such partnerships have been resolved, further consideration should be given to the possibility of also permitting partnerships between English solicitors and non-EC lawyers. The committee gave its views in a report on multi-national partnerships presented yesterday to the Society's governing council. It said that there was a demand from at least some firms to be able to bring lawyers from other jurisdictions into full partnership. This would enable them to provide more effectively a wide range of international services to clients. It was now permissible for English solicitors to enter into almost any sort of association in England - short of actual partnerships - with lawyers of other jurisdictions. The remaining prohibition was, therefore, increasingly hard to justify, the committee said. Lawyers in EC countries could already practise in other Community states. Demand for them to be able to enter into partnerships in other states could now be expected to grow with the increasing mobility and interchange of lawyers. Although there are at present wide differences in training, rules of conduct, organisation and language, "the increasing integration of the Community can be expected to result in a gradual reduction of the differences," the committee said. In the context of worldwide international legal practice, it said the arguments for English firms being able to take into partnerships lawyers from, for example, the US, Australia or Canada, might be even stronger than those relating to EC lawyers.

NOTICE OF REDEMPTION

To the Holders of Household International, Inc. 11% Guaranteed Notes Due December 1, 1990

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the indenture dated as of September 21, 1985 as supplemented by the First Supplemental Indenture dated as of February 28, 1985 and the Second Supplemental Indenture dated as of March 15, 1987 among Household International, Inc. (the "Company") Household International, Inc. (the "Guarantor") and The Chase Manhattan Bank (National Association) (the "Trustee") and pursuant to the provisions of the above-mentioned Notes, all of the Notes will be redeemed on January 10, 1990 (the "Redemption Date") at the price of 100% of their principal amount, plus accrued interest to the Redemption Date (the "Redemption Price"). The accrued interest payable for each \$1,000 principal amount of Notes redeemed is \$12.50 for a total Redemption Price of \$1,012.50. The Redemption Price will become due and payable upon each Note on January 10, 1990 and on or after such Redemption Date interest on the Notes will cease to accrue. Pursuant to the Second Supplemental Indenture, the Guarantor assumed the obligations of the Company under the Notes and the related covenants. Payment of the Redemption Price will be made upon presentation and surrender of the Notes, together with all applicable coupons maturing subsequent to the Redemption Date, at any of the following paying agencies:

- Order Royal Bank Limited, 71 Queen Victoria Street, London EC4Q 6DE
Royal Bank of Canada (Belgium) S.A., Rue de la Loi 1, B-1000 Brussels-Belgium
Royal Bank of Canada (France) S.A., 2 rue de la Paix, 75000 Paris, France
Kreditbank S.A., Luxembourggoesse, 2800 Luxembourg
Order Royal Bank of Canada (Switzerland) S.A., Case 2140, 1204 Geneva Switzerland
Royal Bank of Canada (Spain) S.A., Calle Serrano 130, 28001 Madrid, Spain
Kreditbank S.A., Luxembourggoesse, 2800 Luxembourg

Coupons which shall mature on, or shall have matured prior to, the Redemption Date should be detached, presented and surrendered for payment in the usual manner. HOUSEHOLD INTERNATIONAL, INC. BY: THE CHASE MANHATTAN BANK (National Association)

Presentation of Registered Notes for redemption to the paying agent in New York, or payment made in redemption of the Notes by transfer to a United States dollar account maintained by the Guarantor with a bank in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 30% of the gross proceeds (including accrued interest) if the payee fails to provide an executed IRS Form W-9 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. The sole holder who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty of U.S. \$500. Accordingly, please provide all appropriate certification when presenting the Notes for payment. Dated: December 6, 1988

Advertisement for The Glenlivet whisky. Text: 'It wasn't simply a matter of life or death. It was more important than that. The first highland malt whisky in Scotland to be given a producers licence under the 1823 Act was The Glenlivet. Rival whisky makers were so jealous that they threatened to burn The Glenlivet Distillery to the ground. So it was guarded night and day by George Smith, The Glenlivet's founder, with a brace of pistols. To protect his precious whisky he was prepared to lay down his life. Of course, no whisky on earth is worth such a sacrifice. But perhaps in the case of The Glenlivet? The Glenlivet 12 years old single malt whisky.'

Landesbank Stuttgart - LONDON BRANCH -

NOTICE to the holders (the "Noteholders") of the AS20,000,000 14 per cent. Notes due 1991 (the "Notes") of Landesbank Stuttgart Girozentrale, London Branch (the "Bank", which expression shall include, upon the merger of the Bank with Badische Kommunale Landesbank Girozentrale, the Bank's successor, Südwestdeutsche Landesbank Girozentrale) issued subject to and with the benefit of a Fiscal Agency Agreement dated 2nd October, 1984, as amended, (the "Substituted Fiscal Agency Agreement") made between the Bank, Hambros Bank Limited, Kreditbank S.A., Luxembourggoesse and Morgan Guaranty Trust Company of New York (the "Agents").

MERGER On 25th April, 1988, the Baden Savings Banks Association, Mannheim and the Württemberg Savings Banks Association, Stuttgart agreed to merge Badische Kommunale Landesbank Girozentrale with Landesbank Stuttgart Girozentrale. The merger will have the result that the two existing banks will cease to exist at midnight (German time) on 30th December, 1988 and the new merged entity whose name will be Südwestdeutsche Landesbank Girozentrale (the "New Bank") will come into existence immediately thereafter, on 31st December, 1988. The whole of the capital of the New Bank will be owned by the 68 Baden Savings Banks and 24 Württemberg Savings Banks. The merger will be effected by means of a universal succession of rights and liabilities under the provisions of the Baden-Württemberg Savings Banks Act (Sparbankengesetz).

SUBSTITUTION OF PRINCIPAL DEBTOR Notice is hereby given to the Noteholders that, pursuant to Condition 12, "Substitution of Debtor" of the Notes, with effect on and from 31st December, 1988:-

- (1) Südwestdeutsche Landesbank Securities Services plc (the "Substituted Debtor"), incorporated in England and Wales, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the "Co-subsiders") of the coupons appertaining thereto (the "Coupons") to be dated 31st December, 1988, be substituted in place of the Bank as the principal debtor in respect of the Notes and the Coupons and under the Substituted Fiscal Agency Agreement and a Further Supplemental Fiscal Agency Agreement (the "Further Supplemental Fiscal Agency Agreement") to be dated 31st December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents; and

(2) The New Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with, the Notes and the Coupons. No new definitive Notes will be issued and the existing definitive Notes will not be overprinted or otherwise physically modified in any way. The Notes will, with effect from 31st December, 1988, be listed on the Luxembourg Stock Exchange under the former name, Landesbank Stuttgart Girozentrale, London Branch, followed by the name of the Substituted Debtor, Südwestdeutsche Landesbank Securities Services plc. The existing Security Code Numbers for Euro-Clear and Codel will remain unchanged. With effect from and including 31st December, 1988 the new German Security Code Number of the Notes will be WPKF-46043.

A notice containing information regarding the Substituted Debtor and a copy of the Memorandum and Articles of Association of the Substituted Debtor have been lodged with the Registrar at the Registrar's Office at 4, Luxembourg, where the same may be inspected and copies obtained. Any Noteholder who wishes to inspect copies of the Substituted Fiscal Agency Agreement or of the Further Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above (or, pending execution, drafts thereof) may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT: Hambros Bank Limited, 41 Tower Hill, London, EC3N 4HA PAYING AGENTS: Kreditbank S.A., Luxembourggoesse, 43 Boulevard Royal, L-2955 Luxembourg; Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels

Dated 16th December, 1988

Landesbank Stuttgart - LONDON BRANCH -

NOTICE to the holders (the "Noteholders") of the AS15,000,000 14 per cent. Notes due 1991 (the "Notes") of Landesbank Stuttgart Girozentrale, London Branch (the "Bank", which expression shall include, upon the merger of the Bank with Badische Kommunale Landesbank Girozentrale, the Bank's successor, Südwestdeutsche Landesbank Girozentrale) issued subject to and with the benefit of a Fiscal Agency Agreement dated 19th December, 1984, as amended, (the "Substituted Fiscal Agency Agreement") made between the Bank, Hambros Bank Limited, Kreditbank S.A., Luxembourggoesse and Morgan Guaranty Trust Company of New York (the "Agents").

MERGER On 25th April, 1988, the Baden Savings Banks Association, Mannheim and the Württemberg Savings Banks Association, Stuttgart agreed to merge Badische Kommunale Landesbank Girozentrale with Landesbank Stuttgart Girozentrale. The merger will have the result that the two existing banks will cease to exist at midnight (German time) on 30th December, 1988 and the new merged entity whose name will be Südwestdeutsche Landesbank Girozentrale (the "New Bank") will come into existence immediately thereafter, on 31st December, 1988. The whole of the capital of the New Bank will be owned by the 68 Baden Savings Banks and 24 Württemberg Savings Banks. The merger will be effected by means of a universal succession of rights and liabilities under the provisions of the Baden-Württemberg Savings Banks Act (Sparbankengesetz).

SUBSTITUTION OF PRINCIPAL DEBTOR Notice is hereby given to the Noteholders that, pursuant to Condition 12, "Substitution of Debtor" of the Notes, with effect on and from 31st December, 1988:-

- (1) Südwestdeutsche Landesbank Securities Services plc (the "Substituted Debtor"), incorporated in England and Wales, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the "Co-subsiders") of the coupons appertaining thereto (the "Coupons") to be dated 31st December, 1988, be substituted in place of the Bank as the principal debtor in respect of the Notes and the Coupons and under the Substituted Fiscal Agency Agreement and a Further Supplemental Fiscal Agency Agreement (the "Further Supplemental Fiscal Agency Agreement") to be dated 31st December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents; and

(2) The New Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with, the Notes and the Coupons. No new definitive Notes will be issued and the existing definitive Notes will not be overprinted or otherwise physically modified in any way. The Notes will, with effect from 31st December, 1988, be listed on the Luxembourg Stock Exchange under the former name, Landesbank Stuttgart Girozentrale, London Branch, followed by the name of the Substituted Debtor, Südwestdeutsche Landesbank Securities Services plc. The existing Security Code Numbers for Euro-Clear and Codel will remain unchanged. With effect from and including 31st December, 1988 the new German Security Code Number of the Notes will be WPKF-46044.

A notice containing information regarding the Substituted Debtor and a copy of the Memorandum and Articles of Association of the Substituted Debtor have been lodged with the Registrar at the Registrar's Office at 4, Luxembourg, where the same may be inspected and copies obtained. Any Noteholder who wishes to inspect copies of the Substituted Fiscal Agency Agreement or of the Further Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above (or, pending execution, drafts thereof) may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT: Hambros Bank Limited, 41 Tower Hill, London, EC3N 4HA PAYING AGENTS: Kreditbank S.A., Luxembourggoesse, 43 Boulevard Royal, L-2955 Luxembourg; Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels

Dated 16th December, 1988

Landesbank Stuttgart - LONDON BRANCH -

NOTICE to the holders (the "Noteholders") of the AS20,000,000 14% per cent. Notes due 1992 (the "Notes") of Landesbank Stuttgart Girozentrale, London Branch (the "Bank", which expression shall include, upon the merger of the Bank with Badische Kommunale Landesbank Girozentrale, the Bank's successor, Südwestdeutsche Landesbank Girozentrale) issued subject to and with the benefit of a Fiscal Agency Agreement dated 2nd July, 1987, as amended, (the "Substituted Fiscal Agency Agreement") made between the Bank, Kreditbank S.A., Luxembourggoesse, ANZ Merchant Bank Limited, Kreditbank N.V. and Swiss Bank Corporation (the "Agents").

MERGER On 25th April, 1988, the Baden Savings Banks Association, Mannheim and the Württemberg Savings Banks Association, Stuttgart agreed to merge Badische Kommunale Landesbank Girozentrale with Landesbank Stuttgart Girozentrale. The merger will have the result that the two existing banks will cease to exist at midnight (German time) on 30th December, 1988 and the new merged entity whose name will be Südwestdeutsche Landesbank Girozentrale (the "New Bank") will come into existence immediately thereafter, on 31st December, 1988. The whole of the capital of the New Bank will be owned by the 68 Baden Savings Banks and 24 Württemberg Savings Banks. The merger will be effected by means of a universal succession of rights and liabilities under the provisions of the Baden-Württemberg Savings Banks Act (Sparbankengesetz).

SUBSTITUTION OF PRINCIPAL DEBTOR Notice is hereby given to the Noteholders that, pursuant to Condition 12, "Substitution of Debtor" of the Notes, with effect on and from 31st December, 1988:-

- (1) Südwestdeutsche Landesbank Securities Services plc (the "Substituted Debtor"), incorporated in England and Wales, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the "Co-subsiders") of the coupons appertaining thereto (the "Coupons") to be dated 31st December, 1988, be substituted in place of the Bank as the principal debtor in respect of the Notes and the Coupons and under the Substituted Fiscal Agency Agreement and a Further Supplemental Fiscal Agency Agreement (the "Further Supplemental Fiscal Agency Agreement") to be dated 31st December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents; and

(2) The New Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with, the Notes and the Coupons. No new definitive Notes will be issued and the existing definitive Notes will not be overprinted or otherwise physically modified in any way. The Notes will, with effect from 31st December, 1988, be listed on the Luxembourg Stock Exchange under the former name, Landesbank Stuttgart Girozentrale, London Branch, followed by the name of the Substituted Debtor, Südwestdeutsche Landesbank Securities Services plc. The existing Security Code Numbers for Euro-Clear and Codel will remain unchanged. With effect from and including 31st December, 1988 the new German Security Code Number of the Notes will be WPKF-46042.

A notice containing information regarding the Substituted Debtor and a copy of the Memorandum and Articles of Association of the Substituted Debtor have been lodged with the Registrar at the Registrar's Office at 4, Luxembourg, where the same may be inspected and copies obtained. Any Noteholder who wishes to inspect copies of the Substituted Fiscal Agency Agreement or of the Further Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above (or, pending execution, drafts thereof) may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT: Kreditbank S.A., Luxembourggoesse, 43 Boulevard Royal, L-2955 Luxembourg; ANZ Merchant Bank Limited, 65 Holborn Viaduct, London EC1A 2EU; Badische Kommunale Landesbank Girozentrale, Augustenstraße 33, D-6800 Mannheim; Kreditbank N.V., Arentshoornweg 7, B-1000 Brussels; Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basel

Dated 16th December, 1988

BADISCHE KOMMUNALE LANDESBANK GIROZENTRALE

NOTICE to the holders (the "Noteholders") of the AS20,000,000 14% per cent. Notes due 1991 (the "Notes") of Badische Kommunale Landesbank Girozentrale (the "Bank", which expression shall include, upon the merger of the Bank with Landesbank Stuttgart Girozentrale, the Bank's successor, Südwestdeutsche Landesbank Girozentrale) issued subject to and with the benefit of a Fiscal Agency Agreement dated 10th October, 1984, as amended, (the "Substituted Fiscal Agency Agreement") made between the Bank, Kreditbank S.A., Luxembourggoesse, ANZ Merchant Bank Limited, Kreditbank N.V. and Swiss Bank Corporation (the "Agents").

MERGER On 25th April, 1988, the Baden Savings Banks Association, Mannheim and the Württemberg Savings Banks Association, Stuttgart agreed to merge Badische Kommunale Landesbank Girozentrale with Landesbank Stuttgart Girozentrale. The merger will have the result that the two existing banks will cease to exist at midnight (German time) on 30th December, 1988 and the new merged entity whose name will be Südwestdeutsche Landesbank Girozentrale (the "New Bank") will come into existence immediately thereafter, on 31st December, 1988. The whole of the capital of the New Bank will be owned by the 68 Baden Savings Banks and 24 Württemberg Savings Banks. The merger will be effected by means of a universal succession of rights and liabilities under the provisions of the Baden-Württemberg Savings Banks Act (Sparbankengesetz).

SUBSTITUTION OF PRINCIPAL DEBTOR Notice is hereby given to the Noteholders that, pursuant to Condition 12, "Substitution of Debtor" of the Notes, with effect on and from 31st December, 1988:-

- (1) Südwestdeutsche Landesbank Securities Services plc (the "Substituted Debtor"), incorporated in England and Wales, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the "Co-subsiders") of the coupons appertaining thereto (the "Coupons") to be dated 31st December, 1988, be substituted in place of the Bank as the principal debtor in respect of the Notes and the Coupons and under the Substituted Fiscal Agency Agreement and a Further Supplemental Fiscal Agency Agreement (the "Further Supplemental Fiscal Agency Agreement") to be dated 31st December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents; and

(2) The New Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with, the Notes and the Coupons. No new definitive Notes will be issued and the existing definitive Notes will not be overprinted or otherwise physically modified in any way. The Notes will, with effect from 31st December, 1988, be listed on the Luxembourg Stock Exchange under the former name, Badische Kommunale Landesbank Girozentrale, London Branch, followed by the name of the Substituted Debtor, Südwestdeutsche Landesbank Securities Services plc. The existing Security Code Numbers for Euro-Clear and Codel will remain unchanged. With effect from and including 31st December, 1988 the new German Security Code Number of the Notes will be WPKF-46041.

UK NEWS

Government attacked over failure to tackle air problems

By Lynton McLain
BRITAIN and Europe have finally run out of the capacity to handle growing demand for air travel in peak times...

The report severely criticised the Government, airlines, airport companies and management of the air traffic control systems...

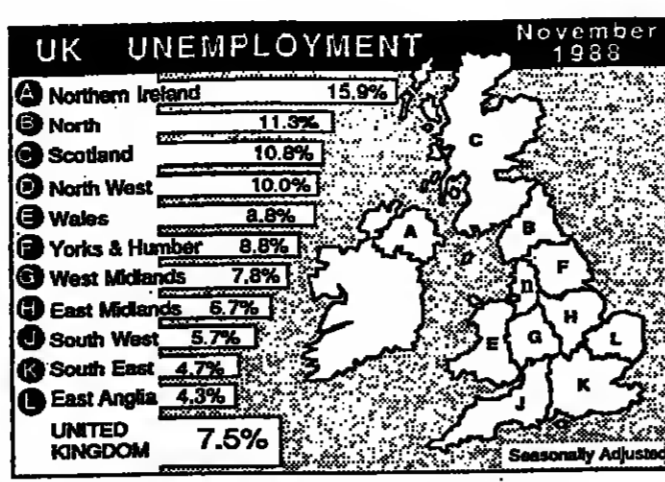
Mr John Cox, the chairman of the AUC said yesterday it was clear that additional runway capacity was needed in London, Munich, Frankfurt and Milan...

The nation faces the serious prospect of capacity not being provided to meet demand. This was a major strategic issue the Government must recognise and act upon.

Growth continues despite high interest rates and drop in earnings
Jobless total lowest in seven years

By Ralph Atkins, Economics Staff

BRITAIN'S official unemployment total fell last month to the lowest for more than seven years while growth in earnings dipped slightly...



Bank of England weekly figures for notes in circulation were up by many analysts as pointing to a slowdown in consumer spending...

September from the original figure of £40 to £3.6bn. The revision was due to technical factors which will begin to unwind in the last three months of the year.

Unit labour costs subdued

By Our Economics Staff

UNIT WAGE costs in manufacturing accelerated slightly in October but strong productivity growth continues largely to offset earnings increases...

Such rules are still some way off, but in a break with its usual cautious approach, the ASC said it plans to issue provisional guidance next month.

Further important change being considered is to force companies to be consistent in their valuations, said Mr Renshall.

Accounting body set to curb brands trend

By Richard Waters

THE GROWING trend by acquisitive companies to put a value on product brands and other intangible assets could be brought to an abrupt end by rules issued by the accounting profession...

Such rules are still some way off, but in a break with its usual cautious approach, the ASC said it plans to issue provisional guidance next month.

Further important change being considered is to force companies to be consistent in their valuations, said Mr Renshall.

Government urged to sharpen IT policy

By Terry Dodsworth

THE UK Government's approach to the development of the information technology industry was strongly attacked yesterday in a House of Commons committee report...

Mr Michael Meacher, Labour's employment spokesman, said: "Any fall in unemployment is welcome, particularly at this time of year."

Mr Warren made a particularly hard-hitting criticism of this week's Macdonald report on the development of fibre optic networks...

Reactions from industry were largely positive, particularly on the issue of Government procurement, where the committee attacked both the time and cost involved in tendering to Whitehall departments.

Biffen urges rethink on independent nuclear deterrent

By Philip Stephens, Political Editor

THE GOVERNMENT was urged yesterday by a former senior minister to respond to the Soviet Union's arms control initiatives with a review of its own commitment to maintain Britain's independent nuclear deterrent.



John Biffen: ministers should be prepared to speculate with the unthinkable...

Other senior ministers commented that there was not the slightest prospect of Britain rethinking its nuclear defence strategy unless and until the Soviet Union had gone much further in cutting its conventional and nuclear forces.

There was also little obvious support for Mr Biffen's views among other Conservative backbenchers, however, and the idea was explicitly rejected by Mr Michael Heseltine, the former Defence Minister.

During the Christmas recess of parliament ministers should "speculate with the unthinkable as a guide to New Year actions", he suggested.

Voter turnout higher than expected in Epping poll

VOTERS yesterday turned out in greater numbers than predicted in the Epping Forest by-election, AP reports from London.

Conservative candidate Mr Steven Norris was confident of victory in the seat which had a Tory majority of 21,513 at the 1987 General Election.

Survival without a sugar daddy

David Lascelles continues his series on securities houses after the Big Bang and shares crash by taking a look at Kleinwort Benson

WHEN Morgan Grenfell pulled out of the securities markets earlier this month because of the slump in dealing, City of London people started asking who might be next.

has made a larger impact than Morgan Grenfell, the market share of which was so small that it failed to make the top 10 City league tables.

he predicts. The key question for the future, though, is whether the securities side will be able to generate enough profits to justify its existence.

Other plans include the introduction of a new dealing system, RES7, which automatically executes orders for investors at the best price available in the market.

SWITZERLAND on MONDAY, 3rd APRIL 1989. This survey will focus on the Swiss economy, politics, industry, exports and, last but not least, Switzerland's position with respect to the European Community.

GUNTER BREITLING FINANCIAL TIMES LTD. 15 rue des Cendrier on Geneva tel. 311 604 or Patricia Surridge on 248-8000 Ext 3426.

1992: PROFITING FROM CHANGE ONE DAY CONFERENCE LONDON 12 JANUARY 1989. OPPORTUNITIES FOR BANKS, INSURANCE AND INVESTMENT COMPANIES IN THE NEW EUROPEAN MARKET.

Have your F.T. hand delivered every working day, if you work in the business centres of MALMO, STOCKHOLM or GOTHENBURG. Stockholm (08) 235305.

SURVIVING 1989 The Investment Options. A one-hour discussion of the outlook for equities, bonds and managed funds with a team of global experts.

Registration form for Surviving 1989. Includes fields for NAME, ADDRESS, JOB TITLE, and Payment method (Cheque, Credit card, AMEX, Diners, VISA, ACCESS).

The contents of this advertisement, for which the Directors of Consolidated Gold Fields PLC are solely responsible, have been approved for the purposes of section 42 of the Financial Services Act 1986 by Ernst & Whinney, a firm authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business. The rules of the Securities and Investment Board require a statement that past performance is not necessarily a guide to the future.

THE ULTIMATE BAR CHART.

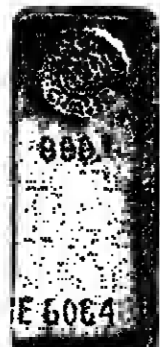
IN THE EARLY 1990s OUR PAPUA NEW GUINEA 'PORGERA' PROJECT IS FORECAST TO BECOME ONE OF THE WORLD'S LARGEST GOLD MINES.

BY 1991 WE PLAN TO MINE OVER 2 MILLION OUNCES OF GOLD A YEAR WORLDWIDE - 44% MORE THAN 1988.

IN 1988 WE BECAME THE LARGEST GOLD PRODUCER IN THE USA.

SINCE 1983 WE HAVE INVESTED OVER £1BN ON EXPLORATION AND EXPANSION OF OUR BUSINESSES.

IN 1983 OUR GOLD RESERVES OUTSIDE SOUTH AFRICA WERE 4 MILLION OUNCES.

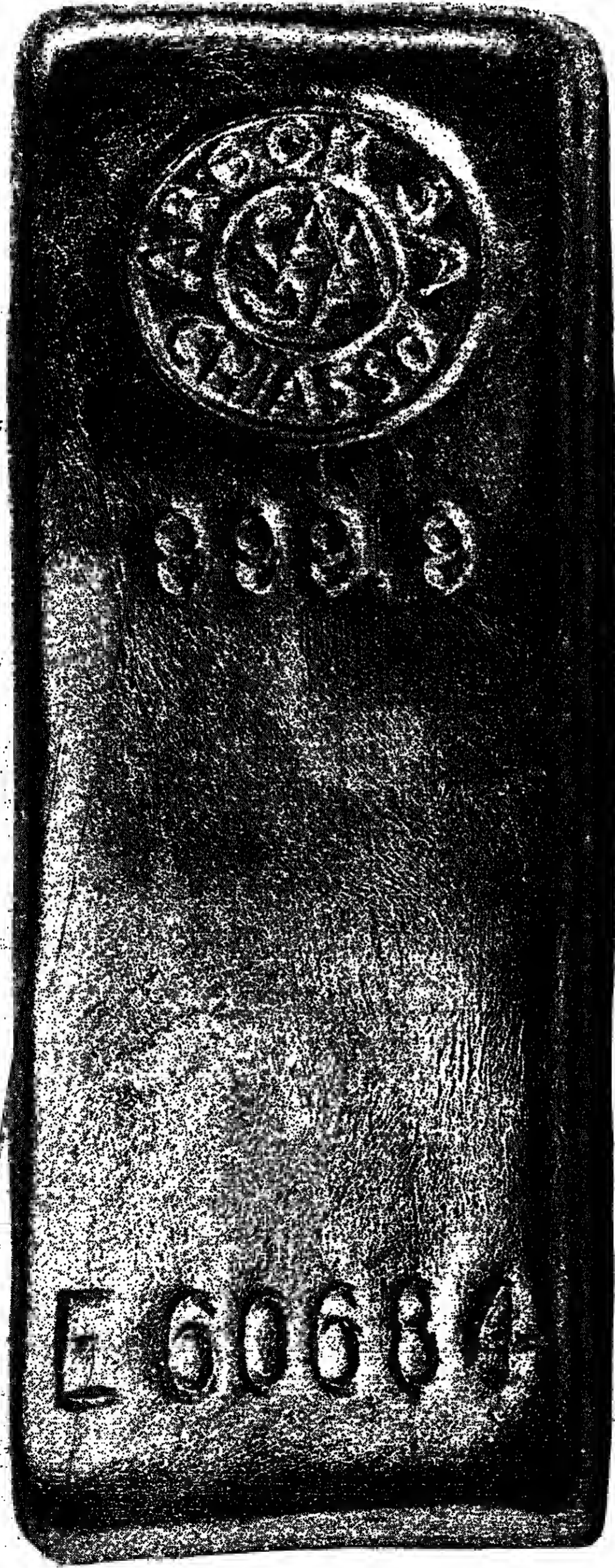


Faint, illegible text from the adjacent page is visible on the right edge of the advertisement.

مخازن الذهب

TODAY OUR GOLD RESERVES
OUTSIDE SOUTH AFRICA ARE 24 MILLION OUNCES
AND EXPLORATION CONTINUES APACE.

BY 1993 OUR SOUTH AFRICAN 'NORTHAM'
DEVELOPMENT IS PROJECTED TO BE THE WORLD'S
FIFTH LARGEST PLATINUM PRODUCER.



Success in the world of natural resources requires a combination of management expertise, co-operation with national and local governments and the courage to invest huge amounts of money over long periods.

At Gold Fields, it seems that we have these qualities - as well as the ability to find the natural resources - in abundance.

Consolidated Gold Fields PLC
A GREAT BRITISH BUSINESS,
RESPECTED WORLDWIDE.

A NEW CHANCE
TO BECOME A
GOLD MINER



MANAGEMENT

Campofrio

Why a local hero is talking turkey

Tom Burns on a Spanish meat processor's expansionary plans

Pedro Balve, 35 years old and the heir to a meat processing fortune, is something of a contemporary hero in Spain — he is hailed as the man who fought back against the foreign multinationals and won.

Nodding at the photographs in his office that show him receiving two business awards of the year, he says the nationalist fervour that fuelled such prizes helped the family company's image in Spain but adds that his strategy is far from being nationalistic.

Balve is emphatically not peninsular — "I believe in the globalisation of economies and of companies" — and is actively seeking expansion both within and outside Spain with whatever partnerships suit his Campofrio company.

He is also delighted that non-Spaniards bought into Campofrio when some 12 per cent of it was floated earlier this year on the Madrid stock exchange. In time, or rather "when people know our products in Europe and America," Balve intends to seek listings for his company in London and in New York.

The need for alliances reflects a determined growth programme on two fronts: Campofrio wants to push Spanish products abroad and to introduce new eating habits to the consumer at home. Balve firmly believes that a businessman has to be "creative and know how to take risks." He is very ambitious: "We are far from reaching our ceiling in imagination, diversification, technology and internationalisation."

He has opened a manufacturing base in France and, in a second joint venture, will open another next year in the Dominican Republic as a first step towards entering the US market. Campofrio is seeking a manufacturing base and possible partners in Portugal; in Spain a very sophisticated Pta 2.8bn (\$27m) meat processing plant will come on stream next year.

On the strength of expected net profits this year of Pta

3.2bn, up from Pta 2.4bn last year, the company, which is 60 per cent owned by the family, plans shortly a Pta 425m capital increase.

Over the past five years Campofrio has been investing Pta 500m a year in improving its manufacturing system and it has been capitalising its output rapidly with lowered production costs; last year higher productivity represented additional profits of Pta 300m.

Balve achieved prominence late in 1987 when, after protracted negotiations, he finally recouped 50 per cent of Campofrio from an increasingly debilitating US entanglement. It was not so much a patriotic battle against multinationals as a struggle for survival against Wall Street raiders.

Jose Luis Balve, father of Pedro and the founder of Campofrio in 1952, had sold 50 per cent of Campofrio to Beatrice Foods of the US in 1978 at a time when the Spanish company was selling nearly 100 brands of cold meats, sausages and hams in the domestic market. The arrangement was mutually beneficial and Campofrio improved rapidly with the additional American know-how — Balve junior himself trained and worked for a time in Chicago.

In 1986, however, a year after Balve had taken over on his father's death, disaster struck when Beatrice succumbed to a hostile bid mounted by Wall Street's Kohlberg Kravis Roberts which has just succeeded with another hostile bid — for EJR (Nabisco). Balve did not like his new partners — "they were financiers, not manufacturers" — and immediately set about recovering what his father had sold.

Before long the young Spanish entrepreneur found that Wall Street was as inviting as a pool full of sharks — just as he had been warned. Just as he believed himself inching towards an agreement, he learnt that KKR had sold its Beatrice property, along with 50 per cent of Campofrio, to a second US investment com-

pany, the TLC group. Balve had to start all over again.

The buyback from TLC eventually cost \$90m and was financed by Madrid's Banco Central in what was for Spain a novel financial arrangement. Banco Central subsequently cancelled the debt in exchange for 40 per cent of Campofrio's stock together with an agreement that part or all of this equity could be floated when both parties thought the time was ripe. In July Central and the Madrid brokerage company Iberagentes began to place Campofrio stock with outside investors.

Balve, who had put up everything he owned as collateral for the loan, also bought a 3 per cent stake in Banco Central and has a seat on its board.

The deal caught the public imagination because it was a reversal of a seemingly established "all Spain is for sale" trend that had foreign interests buying up every domestic venture that looked interesting. The family-owned meat processing company Revilla, for example, which is a household name in Spain like its rival Campofrio, was acquired outright by Unilever at the very time that Balve was negotiating the repurchase.

The success of the Wall Street venture and the surrounding publicity spurred Balve into expansion projects. His business principle is essentially very simple: produce for Spaniards what foreigners eat and vice versa.

His ideas on introducing foreign products to Spain owe much to his own instincts but they are fundamentally based on the dual stars in Campofrio's firmament: one is the company's sophisticated market research team; the other is its 500-strong sales staff. Backed up by 31 regional offices, and by a fleet of 150 refrigerated lorries, the sales staff serves 45,000 domestic outlets and meets close on 1m orders a year.

On his trips to the US, Balve, who always inspects supermarkets with a tape-meas-



Pedro Balve: took on the multinationals and won

sure in hand, noticed that as much shelf space was allocated to white meat or poultry products as was devoted to other meats. Campofrio's researchers came up with the astonishing statistic that Spaniards eat 400 grams of turkey meat a year against the 22 kilos consumed per annum by the French.

Over the past couple of years Campofrio has set its in-house technology to work and has launched a line of turkey-based products, from cold cuts to pastami and sausages. The brand name Pavofrio — *pavo* is Spanish for turkey — has caught on quickly.

Balve has learnt from his research team and from his salespeople that consumption patterns in Spain are altering at a dizzying speed and he fully intends Campofrio will meet the changing demand. He is fascinated by a forecast that the Spanish housewife, who at present devotes two and a quarter hours a day to cooking, will spend just 35 minutes daily in the kitchen by 1992.

Spain is set to be Campofrio's cash cow, for the company has a 10 per cent share overall of the domestic meat market, a third more than that of its nearest rival, and its quota continues to rise. But Balve's ambitions are firmly set on foreign expansion and he wants 25-30 per cent of the company's turnover to be abroad by 1992.

Rather than exporting, Balve prefers to invest in manufacturing bases outside Spain and this strategy, much like the decision to repurchase the Beatrice equity after the KKR takeover, has been, in part, forced on him by circum-

Tom Peters: a convert on the road to Trondheim

Christopher Lorenz on the US guru's belief in design

A couple of years ago Tom Peters, the influential author of a string of best-selling books on excellence in business, was on holiday in northern Norway when he "fell in love", as he puts it, with a simple, wooden-handled metal hammer.

Although his hags were already overweight, he lugged the object back to his home in Vermont, where he displayed it proudly on his bookshelf.

Three days later his pick-up truck had a flat tyre. To replace the wheel, he had to use a US-made wheel spanner which he realised was "god-awful ugly", with a finish so rough that "it's a bloody miracle if you can use it without ripping a hole in your hand".

By his own admission, it was these two experiences with simple tools, rather than the design successes of Ford and several other leading multinationals since 1984, which caused this millionaire guru to awake belatedly to the importance of good design in international competitiveness.

Like many other American writers and consultants, Peters had attributed Ford's revival to the more conventional explanations of teamwork, greater employee involvement, and near-Japanese levels of product quality.

The design dimension of Ford's revival gets scarcely a mention in his current best-seller, "Thriving on Chaos".



Tom Peters: "Americans believe they are born to mass-market junk"

Financing and controlling expansion within fast-growth companies. London, Jan 24-25. Fee: Small to medium sized companies £125 + VAT for day one; or £200 + VAT for two days; larger companies £250 + VAT or £450 + VAT companies. Details from Institute for International Research, 44 Conduit Street, London W1R 9FB.

Woolworth — a brand for the 1990s. London, Jan 17. Fee: £15 (non-members), £8 (members). Details from The Marketing Society, Stanton House, 206 Worpole Road, London SW20 8PN.

Mergers and acquisitions — the 1992 effect. London, Jan 18. Fee: £210 + VAT; £180 + VAT (individual/associate mem-

ber); £180 + VAT (corporate members). Details from The Strategic Planning Society, 15 Belgrave Square, London SW1X 8PU.

Broadcast Europe '89. London, Jan 26-27. Fee: £80 + VAT. Details from Forum Communications, London House, 26-40 Kensington High Street, London W8 4EP. Tel: 01-938 2222; Fax: 01-937 4546.

Contract works and contractors' liabilities. London, Feb 6-8. Fee: £460 + VAT. Details from Joy Broughnour Judith Holiday, Insurance & Reinsurance Research Group, Bridge House, 181 Queen Victoria Street, London EC4V 4BD. Tel: 01-236 2175. Fax: 01-469 1487. Telex: 6311636.

Contract works and contractors' liabilities. London, Feb 6-8. Fee: £460 + VAT. Details from Joy Broughnour Judith Holiday, Insurance & Reinsurance Research Group, Bridge House, 181 Queen Victoria Street, London EC4V 4BD. Tel: 01-236 2175. Fax: 01-469 1487. Telex: 6311636.

DG BANK
Deutsche Genossenschaftsbank

NOTICE OF ADJOURNED MEETING
of the holders of
DG BANK Deutsche Genossenschaftsbank
N.Z.\$ 75,000,000 16½ per cent. Notes Due August 1990

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Noteholders") of the above-mentioned notes (the "Notes") convened by DG BANK Deutsche Genossenschaftsbank (the "Bank") for Friday, 9th December, 1988 by the Notice published in the Financial Times on 17th November 1988 was adjourned through lack of a quorum and that the adjourned Meeting of Noteholders will be held at 11.00 a.m. (London time) on 6th January, 1989 at the offices of Morgan Guaranty Trust Company of New York, Morgan House, 1 Angel Court, London EC2R 7AE, for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Fiscal Agency Agreement dated 13th August, 1985 made between the Bank and Morgan Guaranty Trust Company of New York (the "Fiscal Agent") and others relating to the Notes:

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders (the "Noteholders") of the N.Z.\$ 75,000,000 16½ per cent. Notes Due August 1990 (the "Notes") of DG BANK Deutsche Genossenschaftsbank (the "Bank") issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 13th August, 1985 made between the Bank and Morgan Guaranty Trust Company of New York as Fiscal Agent (the "Fiscal Agent") and others hereby:

- assents to the modification of the Terms and Conditions of the Notes (as printed on the reverse thereof and in the First Schedule to the Fiscal Agency Agreement) proposed in the Explanatory Statement issued by the Bank and dated 28th November, 1988, a copy of which has been produced to and initialed by the Chairman hereof for the purpose of identification;
- sanctions every modification, abrogation, variation, compromise or arrangement in respect of the rights of the Noteholders and the holders of the Coupons appertaining to the Notes against the Bank involved in, or resulting from, the modification referred to in paragraph (1) of this Resolution or any substitution of debtor made pursuant to, and in accordance with, the Terms and Conditions of the Notes as so modified; and
- authorises the execution of a Supplemental Fiscal Agency Agreement in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman hereof to give effect to the modification referred to in paragraph (1) of this Resolution."

QUORUM

The quorum required to consider the Extraordinary Resolution at the adjourned Meeting will be two or more persons present in person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented by them.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement (as amended) may be inspected, and copies of the Explanatory Statement, draft Supplemental Fiscal Agency Agreement, and voting certificates may be obtained, by Noteholders from the specified office of any of the Agents given below.

FISCAL AGENT: Morgan Guaranty Trust Company of New York, Corporate Trust Department, 30 West Broadway, New York, N.Y. 10015.

PAYING AGENTS: Morgan Guaranty Trust Company of New York, Morgan House, 1 Angel Court, London EC2R 7AE.

Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.

Morgan Guaranty Trust Company of New York, 14 Place Vendôme, 75001 Paris.

Morgan Guaranty Trust Company of New York, Mainzer Landstrasse 46, 6000 Frankfurt am Main.

Swiss Bank Corporation, Aeschenvorstadt 1, Basle.

DG BANK International, Societe Anonyme, 3 Boulevard Joseph II, L-2016 Luxembourg.

Issued by DG BANK Deutsche Genossenschaftsbank through its London Branch which is authorised under the Financial Services Act 1986 by virtue of its membership of The Securities Association.

December 16, 1988

The Essential Conference of 1989

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For further information and a registration form, please contact Lynia Higgin or Hilary Kempton at:
William M. Mercer Fraser Ltd.
Telford House, 14 Tothill St.
London SW1H 9NB
Tel: 01-222 9121

COMPANY NOTICES

Following the DIVIDEND DECLARATION by the Company on 13 October 1988 NOTICE is now given that the following DISTRIBUTION will become payable on or after 16 December 1988.

| | |
|---------------------------------|------------|
| Gross Distribution per Unit | 3.00 cents |
| Less 15% U.S.A. Withholding Tax | 0.45 cents |
| | 2.55 cents |

Converted at \$1.8725 £0.013618157

Claims should be lodged with the DEPOSITORY, National Westminster Bank PLC, Stock Office Services, Second Floor, 20 Old Broad Street, London EC2, on special forms obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) (or marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

DATE: 9 December 1988

PERSONAL

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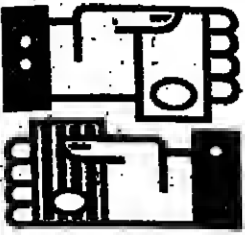
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FINANCIAL TIMES SURVEY



In their first decade, enterprise agencies measured success in numbers of jobs created. Now the

emphasis is slowly changing to advising people in jobs who want to become self-employed and helping small businesses to grow.

Alan Pike reports

There's a lot more to do

MEASURED IN terms of their growth rate, enterprise agencies have been one of the remarkable successes of British business life in the 1980s. In 1978 there were a mere three of them. Today, there are 300. No major city is without one. Neither are a large number of smaller locations and, in the calculation of Business in the Community (BIC), which does much to promote the interests of the movement, "few people live more than 10 miles away from an agency." The enterprise agency has, in the space of a decade, become a familiar high-street institution. Growth rate is, of course, not the only measure by which enterprise agencies should be judged - although neither is it an achievement to be overlooked when it is remembered that many agencies have had to be built with money, premises and staff begged and borrowed from other organisations.

Their rapid expansion reflected the rise in redundancies and unemployment of the early and mid-1980s and the resultant shifts in the economy towards smaller businesses and self-employment. The main function of enterprise agencies during their first decade has been provision of free advice to people seeking

to start their own businesses, while their success has, in the main, been measured in terms of jobs created.

Assessments conducted by the Centre for Business Initiatives credit enterprise agencies with helping to create or save some 90,000 jobs a year, although such calculations are inevitably imprecise. And, in the uncertain and difficult world of small business start-ups, there is evidence that a business has twice as much chance of surviving if its proprietor enlists enterprise agency assistance. But what next? An end to mass redundancies on the scale of the early 1980s and a falling unemployment rate are diminishing part of the founding purpose of enterprise agencies. There are no longer so many unemployed people coming through the doors. At the same time direct government funding to enterprise agencies is being reduced, meaning that they will in future need to become more active at generating their own income.

So the 10th anniversary finds a recognition in the UK's enterprise agencies that a crossroads has been reached, and that fundamental decisions about changes in the shape of



Like Black Business in Birmingham (see page 4), the Deptford agency operates in an area with a high ethnic minority population

UK Enterprise Agencies

the agencies have to be taken. To some extent the change has already begun. Although the core business of enterprise agencies has been to offer advice to people planning to start small businesses, many are already actively engaged in other services as well. In typical agencies these are likely to include a selection from a menu of services covering finance, education and training, managed workshops and other property activities and advice from legal, accountancy, marketing and similar specialists. Many of these activities are certain to grow, particularly as the client base of the agencies is changing. Enterprise agency staff are increasingly finding themselves assisting employed

people with fairly advanced ideas for starting their own businesses, rather than the redundant worker for whom self-employment seems the single alternative to unemployment. In some agencies, employed people now form a majority of clients and they are a growth area for almost all agencies. "This means that the scope of services which clients are seeking from agencies is changing," says Mr David Grayson, partnership director of BIC, which acts as a co-ordinating body for enterprise agencies as part of its wider role of promoting private sector community involvement. "If you are a 30-year-old woman working as a computer programmer and planning to

start your own business, your ideas and propositions are going to be more substantial than a newly-redundant unskilled worker." Following conferences and other discussions among enterprise agency directors and board members about the best ways of channelling effort in the coming years, BIC has published a consultative document, "The Future for Enterprise Agencies." This concludes that the current trends towards serving employed people who have ambitions to be self-employed, helping established small businesses to grow, and providing more after-care assistance, are roles that are likely to continue. At the same time, 1982 will increase the need in small

and expanding businesses for a wide range of advisory and technical services. It is not only more sophisticated demands from clients which are causing enterprise agencies to re-examine their priorities. They are being pushed in the same direction by financial considerations as well. Funding for agencies is currently running at around £30m a year, with about half coming from the private sector. Speakers at a conference of major corporate sponsors arranged by Business in the Community earlier this year made it clear that they expected private sector support to continue into the 1990s, but believed that the basis of funding would move from generalised support to the

financing of specific projects. The government is taking a similar approach. In 1986 it introduced the Local Enterprise Agency Grant Scheme to encourage the development of agencies and this has been used by agencies to help develop and professionalise their services - for example by appointing salaried directors. Financial support under the scheme is now being reduced by the government, but ministers believe overall levels of public finance will be maintained, provided agencies take advantage of new opportunities.

The shape of some of these new opportunities was revealed in this month's "Employment for the 1990s." Under proposals in the white paper, responsibility for developing local training strategies will be shifted to private sector-led Training and Enterprise Councils. It is expected that this restructuring will encourage many enterprise agencies to introduce or develop industrial training activities, and bid to take on the small firms advisory services from the government.

The BIC consultative document shows that many agencies are already established in what are likely to prove the growth areas. Four out of five of the 300 agencies run business training courses. A total of 56 per cent of agencies have access to their own loan and grant funds. Many others run group marketing initiatives and produce business directories.

Other new functions, the document envisages, are likely to include the provision of better business information, establishing and running marketing co-operatives and providing small businesses with a range of commercial services modelled on Japanese trading houses.

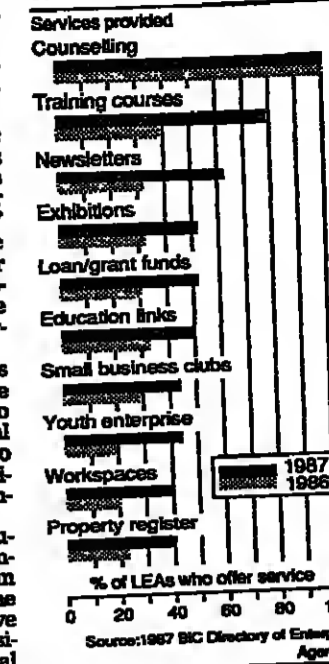
Some agencies have also moved into more social areas which are not directly related to helping individual businesses. The London Enterprise Agency runs the East London Business Education Compact with the Inner London Education Authority. Lincoln Enterprise Agency is a Youth Training Scheme managing agency. Derwentdale Industrial Development Agency and Hartlepool Enterprise Agency are involved in inward investment projects.

The further development of services beyond basic business advice raises the prospect of agencies beginning to charge for some facilities. In Mr Grayson's view the basic initial business advisory services for which agencies were established will always remain free. But if agencies offer specialist

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LEA activities



services for which clients would have to pay if they went elsewhere, he thinks there might sometimes be a case for making charges. He stresses that he does not believe there is a single model for the future of all enterprise agencies: "They need to look at what other providers are doing and see how best the local enterprise agency can make a distinctive contribution. This is likely to vary from area to area," he notes.

It may also produce some mergers or at least collaborative projects between agencies - particularly in fields like computer data-bases. A shortage of computer equipment and specialist staff is regarded as a current obstacle to improving the range and quality of some agency services.

The successful growth of enterprise agencies in new areas depends on more than financial resources. It also requires having the right staff which, in turn, depends on corporate sponsors being prepared to second appropriate managers and specialists.

There are some recent encouraging signs that UK companies are taking a broader view towards secondment - seeing it not just as an act of charity towards enter-

Continued on Page 4

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UK ENTERPRISE AGENCIES 2

After a flying visit by Prince Charles to two Welsh factories

BIC's second start in Wales

TWO DAYS ago the Prince of Wales flew his helicopter in to the Sony plant at Bridgend in South Wales. Later, he took off for the top of the Rhondda Valley where he opened a new plant for AB Electronic Products.

His flying visit was not just to perform another of those industrial getting-to-know-you meetings at which he is so good. It was also to launch Business in the Community in Wales and he had chosen to see both Sony and AB Electronics because they are leading partners in BIC in the principality.

Strictly, the Prince was relaunching BIC. The organisation has had a presence in Wales since 1983 and the first enterprise agency, Antur Teifi, was established in Newcastle Emlyn, Dyfed, four years before that.

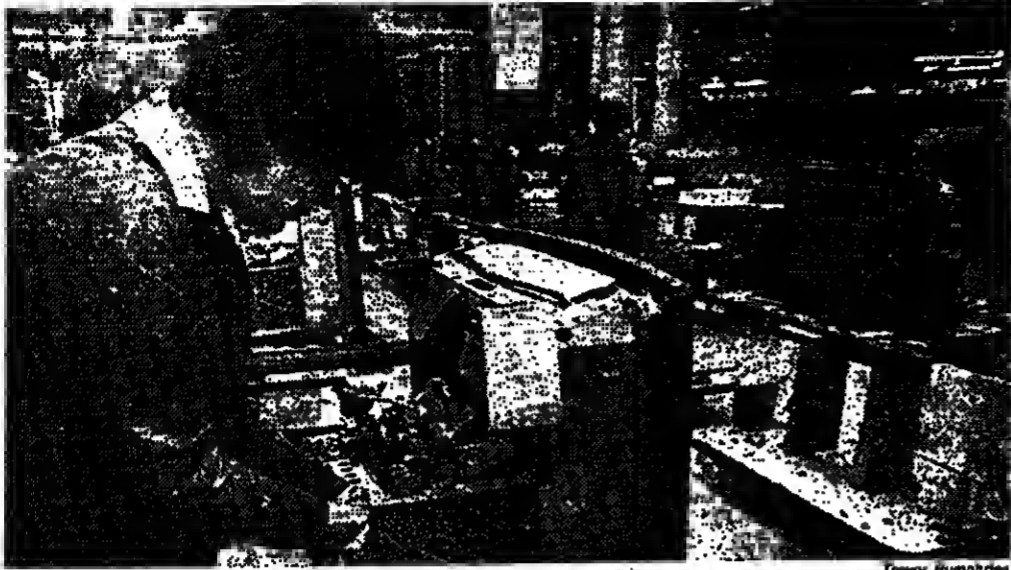
But it was felt a relaunch was necessary to give impetus to its work. At the same time the structure in the principality was changed to make it more of a national organisation, reflecting Wales's own identity, rather than as the regional arm of a British organisation.

New leadership has been created under Mr Ted Merrette, managing director of AB. He has gathered together an executive committee that comprises Mr John Mitchell, chief executive of the Principality Building Society, Mr David Jenkins, secretary of the Welsh TUC, Mr Alf Gooding, chairman of the Gooding Group, Mr David Vendell, a director of the Bird Group, Mr Malcolm Wallace, managing director of Cardiff steel group ASW, and Mr David Roberts, a prominent North Wales businessman who is chairman of Pilkington Visioncare.

In addition, since March 1, appropriately St David's Day, BIC has had a new director in Wales in Mr John Sheppard. These men are now charged with developing BIC strategy in Wales and ensuring its implementation.

They start with a good ground base. There are 20 local enterprise agencies and enterprise trusts already operating in the country and another four organisations closely allied to the movement.

Each is endeavouring to develop a speciality business alongside the core programme of providing business advice



TV production at Sony's Bridgend plant, visited by the Prince of Wales this week. Trevor Humphries

and counselling companies. Antur Teifi showed the way by helping set up a printing works whose strength lies in the Welsh language. That works now employs more than 20 people.

Made - the Merthyr and Aberdare Enterprise Agency - is getting involved in heritage and tourist activities in its area and giving thought to the creation of a crafts centre. Further west, Llanelli Enterprise has joined forces with the Welsh Development Agency, the trade unions and local authorities in marketing a factory site or, alternatively, turning it into a centre for small businesses.

Cave - Cardiff and Vale Enterprise - the largest agency in the country, is spending a lot of time with companies likely to be affected by the rebuilding of Cardiff's docklands. Interestingly - perhaps even uniquely - the Ogrw Partnership Trust had, until he was recently called back home to another post, an American as its chairman.

There are still holes in this network. There are gaps in Aberystwyth, Anglesey, Gwent outside Newport and in the Rhondda. Mr Sheppard would like to see these areas covered though there is now a debate in Wales, mirroring the debate nationally, about how the agencies should develop in a changing economic situation.

The environment in which they operate is changing; unemployment is falling; the

number of school leavers is falling; private industry is often seeing its work differently.

How should the agencies respond to this new situation? There are as yet no answers but an important joint seminar with South Glamorgan County Council is to be held in the new year on customised training and priority hiring and enterprise partnerships. There will be follow-up seminars aimed at key employers and possibly also at community partners.

BIC is helping to develop two education business partnerships - known in England as compacts - which attempt to improve educational standards and raise the standards of those undergoing post-school training. The organisation is hoping that one will evolve out of the seminars in South Glamorgan.

The philosophy of Business in the Community in Wales extends further than just education and special local interests, though. It is also attempting to improve job-linked schemes and business leadership schemes.

Under the former employers are encouraged to undertake training schemes for the unemployed in which a guarantee is offered to those on the courses that they will be given priority when jobs become available in the companies. It is thought this will offer the unemployed, especially the young unem-

ployed, an incentive to join the training schemes.

The idea behind business leadership teams is to get senior executives and local authority officials together to encourage them to look at specific geographic areas and draw up a strategy plan of what is needed to improve economic and social well-being.

These schemes are all the more important as the agencies are forced to change their own perception of their work. As unemployment falls, it will become increasingly necessary to change the emphasis towards working with the employed.

Such a view might still seem heretical in industrial South Wales but there are parts where it is apparent that skill shortages are much more important than job creation.

The form in which the agencies survive and build up their work will now occupy the thoughts of Mr Merrette's team. The strength of the groups lies in their ability to respond to local issues in a manner that does most good for the locality. But to be effective, they have to be properly funded.

The Prince of Wales is relaunching BIC at a most opportune time. Mr Merrette is determined the organisation will respond in a way that will enhance the life of Wales.

Anthony Moreton

THE ENTERPRISE trust movement in Scotland now has a chance to take on a bigger role that is not on offer to its counterparts south of the border. This springs from the government's decision to carry out a radical restructuring of the system for enterprise development in Scotland.

The new plan, set out in a white paper last week, is the culmination of an extraordinary process whereby an idea, put forward in a newspaper article only in late June, was rapidly approved by Mrs Margaret Thatcher, the Prime Minister, and given public endorsement by her in early September.

The original idea came from Mr Bill Hughes, chairman of the Confederation of British Industry in Scotland, and the executive chairman of Grampian Holdings, a successful medium-sized Glasgow industrial conglomerate.

Expressing his frustration at the community's relative failure to wipe out unemployment in Scotland, he proposed that the Training Commission (now called the Training Agency and once known as the Manpower Services Commission) be merged in Scotland with the Scottish Development Agency.

Furthermore, he suggested that the new single body should function to a considerable extent through local agencies in which businessmen would play the leading role.

It was a novel idea which never occurred to anyone during the extremely detailed assessment of the SDA and regional development policy carried out by the government only two years ago. It commended itself to the government in part because it could be seen as an Scottish solution for Scottish problems put forward by the Conservatives, which could have the added benefit of obliterating the name, Scottish Development Agency, which in many Scots' minds is inextricably linked with the body's founder, the Labour Party.

The white paper's proposals are closely in line with Mr Hughes' original outline, although the number of local agencies, of which there were once to have been 60 or 70, has been whittled down to about 22. The Training Agency and the SDA are indeed to be merged into a new body called Scottish Enterprise which will have a budget of about £500m. It will have a central strategic role directing both economic development and training, but the crucial delivery mechanism is intended to be the local agency.

The local agency will concentrate initially on training and the labour market, but may in due course take over from Scottish Enterprise some of the former SDA's functions in the field of small-scale property development and land reclamation, and equity, loan and grant assistance.

To create the local agencies the government intends to invite local employers and others to offer to form their board of management. The group accepted would make a contract with Scottish Enterprise to carry out its basic functions; how many extra functions it acquired would depend on how ambitious it was and effective.

It was judged to be by Scottish Enterprise. The white paper suggests that local employers should come together with enterprise trusts, further and higher education colleges, other providers of training, trade unions and voluntary organisations, though it expects two-thirds of the membership to come from "the senior ranks of private sector business." It specifically acknowledges that groupings such as it is proposing already exist in many areas in the form of enterprise trusts.

The enterprise trust movement, which was launched in Scotland in 1982 under the name of Scottish Business in the Community (Scotic), has

SCOTLAND
A leap for enterprise



Bill Hughes, chairman of the CBI in Scotland

now established 40 enterprise trusts all over Scotland, twice as many as were originally envisaged. It has strong links with industrial sponsors, while secondees from major companies play an important part in it. The senior staff at Scotic are all on secondment, with the director, Mr Graham Ross, seconded from United Biscuits, the company chaired by Sir Hector Laing.

In the past year it claims to have been involved in projects that created 9,000 jobs in 3,800 new businesses. It had an annual budget of £4.3m.

The pattern of enterprise trusts in Scotland is varied. Some operate in prosperous cities such as Edinburgh; others have been created as part of urban renewal projects in such places as Easterhouse, the large area of low income housing estates on the periphery of Glasgow. Some are very active, others less so.

In Bathgate, the town to the east of Edinburgh, severely hit by industrial closures, the enterprise trust takes the form of Base, Bathgate Area Support for Enterprise. Base is one of the stronger enterprise trusts, and is the only one to have a local investment fund: it can lend up to £25,000 for specific projects. Thus Base is not, as so many trusts are, confined to giving business advice.

There is an ambitious enterprise trust in South Fife with an impressive list of corporate sponsors. In two years it claims to have been involved in the setting up of 225 businesses which created 870 jobs.

In Hamilton in Lanarkshire the Hamilton Enterprise Development Company, formed a year ago, sees itself as a mini-SDA, and its composition, with a board of business people, though with the majority of funding coming from the public sector, has a flavour of the proposed local agencies about it.

Scotic gave a cautious welcome to Mr Hughes' proposals when they were first unveiled, despite the fact that his scheme came as something of a surprise. Mr Hughes also hinted that some of them were involved with local authorities and warned that a second round of funding for the trusts might not be as successful as the first.

The organisation greeted the white paper positively. Sir Hector Laing said Scotic had every confidence that the enterprise trusts would have an important role to play in the Scottish Enterprise delivery mechanism. He said: "It is vital that the special loyalties and commitment built up by enterprise trusts over the past five years are retained and built on by Scottish Enterprise."

But the government is proposing to have only about half as many local agencies as there are enterprise trusts, which suggests that if some of the enterprise trusts are to become the nucleus of a new local agency there would have to be some amalgamation of the trust areas. In practice, it appears likely that the more active trusts will seize the opportunity to upgrade themselves and carry out the necessary regrouping.

At the moment, however, it is not clear exactly how the transformation would take place: the enterprise creation function is not the same as the relatively bureaucratic task of organising training, and the sponsorship element would somehow have to be blended into the new structure. That is all to be worked out over the next few months.

Though legislation for Scottish Enterprise will not come before Parliament until the 1989-90 session the government hopes that if there is a consensus of support in Scotland for the scheme, parts of it can be put into place sooner.

James Buxton

Happily, this year, the community is over £10,000,000 better off.



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UK ENTERPRISE AGENCIES 3

How the role of Business in the Community is changing

Meeting the regeneration needs of the 1990s

THE ROLE of the private sector has never been more crucial in the rebuilding of Britain's inner city communities, and fresh targets for companies to aid job creation and regeneration have been set by Business in the Community (BIC) to help chart a new direction.

In the 10 years since the enterprise agency movement started to help the unemployed set up businesses on their own by providing help and advice, around 300 agencies covering local partnerships covering businesses, trade unions, local authorities and other organisations have been created and over 5,000 companies have given some form of help.

Mr Stephen O'Brien, chief executive of BIC, which acts as an umbrella organisation for the majority of the agencies, puts the number of jobs created or saved at nearly 100,000 a year at a low cost per head. It is a proud record, and one on which BIC is keen to build.

But there are problems, as circumstances are changing fast, with the government switching the emphasis in the regeneration of employment opportunities from a mix of public and private effort to an overwhelmingly predominant role for the private sector.

It is now clear that there is no intention of making any funds available from the public purse, and it will be for industry and commerce to continue the provision of these opportunities.

The needs of the 1990s will be very different from those of the 1980s, and enterprise agencies, together with the companies and other organisations

It has deliberately blurred the lines between charity and self-interest for industry

backing them, will have to adapt. Unemployment is continuing its fall, and helping businesses expand is now more of a priority. To meet these new challenges effectively is the task facing BIC.

Enterprise agencies grew out of the 1980 Anglo-American conference on community involvement chaired by Mr Tom King when Local Government Minister. A working group was formed under Sir Alistair Pilkington because of the glassmaker's pioneering work with the St Helens enterprise agency. BIC emerged from these deliberations.

In the early days there were relatively few voices in favour of what many regarded as "industrial philanthropy". A widespread view, still held by some, was that a businessman's duty was to stay in business, make profits and provide employment; looking after the community and its problems was the government's job.

BIC was dominated in its early years by an ethos similar to that of the liberal industrialists in the 19th century. Companies became members, seconding personnel or entrusting money to be allocated through community trusts and enterprise agencies.

It was the riots of 1981 in Brixton, south London and Toxteth, Liverpool, that gave the movement its greatest impetus, however. Mr Michael Heseltine, then Environment Secretary, dragged a group of senior industrialists on to buses to see the devastation of Toxteth, and it proved to be a catalyst for action.

One of the ideas promoted was secondment, later practised by companies like IBM and Marks and Spencer as a two-way benefit both to the community and management development. After Toxteth it became instantly fashionable and has continued to be one of the main instruments for giving direct help.

Tax incentives to encourage community support later added a commercial rationale, and enterprise agencies grew greatly in numbers and in scale.

A survey conducted by BIC last year showed that agency assistance had halved the failure rate that would otherwise have been expected among young businesses. One in six of the companies helped by an agency failed in its first three years compared with the one-in-three failure rate of small firms generally.

More recently, the decision of Prince Charles to become BIC president has attracted much greater media attention and helped promotion, and the Prime Minister's adoption of inner city regeneration after the last election as a key plank in her strategy for the Parliament, has added a further boost.

What BIC has managed to do in recent years, as political fashions towards regeneration have changed, is to keep urban issues high in the consciousness of industry and commerce.

It has deliberately blurred the lines between charity and self-interest, and cultivated the idea that the involvement

of business in the inner cities is to the commercial advantage of companies as regenerated areas will supply not only future customers but also future employees.

"It is interesting to see how many major companies in the private sector are accepting they should get involved in the community. It is in their commercial interest to do so, it is not just altruism," says Mr O'Brien.

Prince Charles is given a lot of credit by BIC leaders for his involvement in a number of projects, including the economic regeneration project at Calderdale, centred on Halifax, where BIC acted as a broker introducing industrialists and liaising with local interests to create jobs, replace old industries, develop stability and improve the quality of life.

The project received a nasty jolt last June, however, with the announcement that United Biscuits was to close a factory in Halifax with the loss of 1,000 jobs. Sir Hector Laing, chairman of United Biscuits, is also chairman and a driving force behind BIC, and he has had to survive local calls for his resignation.

On a more limited scale, a series of six neighbourhood economic development partnerships has been launched in areas like Finsbury and Spitalfields in inner London, Wolverhampton and Hartlepool. Here again, BIC acts as a catalyst, bringing together the different parties.

However, Mr O'Brien does not regard BIC's role as one of unlimited expansion, backed by a top-heavy bureaucracy. The organisation has a limited amount of funds and sees its major role as highlighting the more successful experiments which may then be adopted by other agencies nationally.

But such experiments do provide the private sector with a structure by which companies can look closely at what they provide in terms of sponsorship and investment. BIC also offers an advisory service on how companies could implement a community policy.

As part of the current shift in emphasis, the organisation has been examining ways of acting as a focal point for the creation of teams of local businessmen. Close links have been developed with the Confederation of British Industry, whose inner cities task force has advocated the creation of more business action teams to help regeneration in deprived urban areas.

Nine target teams have now been set up to provide a private sector response to the government's inner cities initiative. They cover areas like priority hiring and training, inner cities enterprise development, education partnerships, finance for enterprise, local purchasing, marketing, private sector initiatives and co-ordinating the voluntary sector. The teams are operating on a two-year time-scale and are supported by other groups of businessmen at local level.

A "flagship" initiative has been developed by a financial group chaired by Sir David Scholey, chairman of S.G. Warburg, which is investigating problems still facing embryo businesses in finding finance.

Another of the BIC teams, chaired by Mr David Rowland, chief executive of the Sedgwick Group, has been seeking ways of persuading companies to target recruitment and training programmes more closely on unemployed young people in the inner cities.

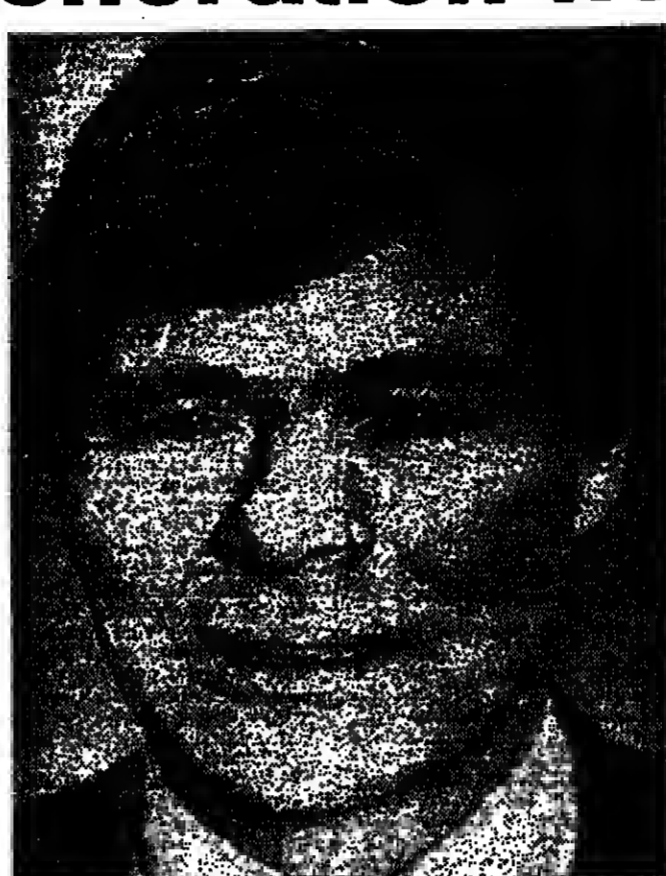
The target team headed by Mr Martin Findlay, vice-chairman of Whitbread, is seeking to promote links between companies and schools to give

participation in the community by calling for an increase in purchasing by the country's largest companies from the smallest by £500m over the next five years; for 100 of the largest companies to recruit and train from the longer-term unemployed; and for more than 500 companies to invest 1 per cent of pre-tax profits in the community in the next two years.

The Per Cent Club was set up in late 1986 under the joint chairmanship of Sir Hector Laing and Sir Mark Weinberg as a means of encouraging companies to commit themselves to a target of 1 per cent of pre-tax profits to be devoted to the community. The aim is to more than double the number of companies involved.

There is undoubtedly a new era beginning, with enterprise agencies no longer regarded as new and experimental. They will not be able to rely on support as an act of faith, but the hope is that given continuing company profitability, increased help will be forthcoming.

"Now we are out of the siege mentality, companies will be able to devote more time to long-term projects," Mr O'Brien predicts.



Richard Evans Stephen O'Brien, chief executive, Business in the Community



Prince Charles, who recently became BIC president, on a visit to Spitalfields, London

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guaranteed jobs to school leavers. This is based on an idea called Compact originally developed in Boston, Massachusetts.

By linking companies and schools in small groups enterprise agencies can guarantee jobs to school-leavers who might not have the usual academic qualifications but who meet personal targets such as a good attendance record and punctuality. The idea was pioneered in the UK by the London Enterprise Agency (LEA) and is being backed by many industrialists.

Specific ideas being developed include the establishment of enterprise fellowships to enable young managers to adopt inner city partnerships as part of their own management development, and a national scheme to encourage young professionals to provide new businesses with management advice.

The latest ideas were disclosed last month by Prince Charles at BIC's annual conference in Sheffield.

The Prince set three new targets for business to step up its

Administration order may save building company

IN RE HARRIS SIMONS CONSTRUCTION LTD
Chancery Division: Mr Justice Hoffmann: December 7 1988

AN ADMINISTRATION order may be made in relation to a company which cannot pay its debts, if the court considers it likely, to the extent of there being a real prospect rather than a probability, that such an order would enable it to survive or to sell off part of its business.

Mr Justice Hoffmann so held when giving his reasons for having made an administration order in relation to Harris Simons Construction Ltd, a building company, on the petition of the company's two directors. The order was made on December 5 1988.

Section 8 of the Insolvency Act 1986 provides: "(1) . . . if the court (a) is satisfied that a company is or is likely to become unable to pay its debts . . . and (b) considers that the making of an order under this section would be likely to achieve one or more of the purposes mentioned below, the court may make an administration order in relation to the company . . . (3)(a) the survival of the company . . . as a going concern . . . (d) a more advantageous realisation of the company's assets than would be effected on a winding up".

HIS LORDSHIP said that over the past four years there had been a spectacular increase in the company's turnover, from £830,000 in 1985 to £27m in 1988. Almost all the increased turnover had come from one client, a property developer called Berkley House plc, with which the directors had a close relationship.

Recently the relationship had turned sour. There were disputes over a number of contracts, and Berkley House had purported to dismiss the company and require its employees to leave their sites. It was also withholding several million pounds which the company said were due and in respect of which Berkley House said it had cross-claims.

The effect on the company's

cash flow was that it was unable to pay its debts as they fell due, and several writs and a statutory demand had been served. It would have to go into liquidation more or less immediately.

The workforce would have to be dismissed and contracts and work in progress would become a tangle of disputes and probably litigation. The report of the proposed liquidator said that in those circumstances it would be extremely difficult to sell any of the business.

If an administration order were made the company would have a breathing space. It had been able to negotiate an armistice with Berkley House by which the latter would, conditionally, suspend its petition on an administration order being made, provided sufficient funding to enable the company to complete four contracts.

It was hoped those contracts would produce a profit and that it might thereby be possible to stabilise and preserve a business which could either survive or be sold to a third party. Meanwhile, it might be possible to negotiate a settlement of the underlying dispute with Berkley House.

The administration order was proposed in order to achieve two of the purposes specified in section 8(3) of the Insolvency Act 1986: "(a) the survival of the company . . . as a going concern" and "(d) a more advantageous realisation of the company's assets than would be effected on a winding-up".

Section 8(1) gave the court jurisdiction to make an administration order if it was "satisfied" that a company "is or is likely to become unable to pay its debts", and if it "considers" that an order would be "likely" to achieve one or more of the purposes specified in section 8(3).

The company was unable to pay its debts. Whether the order would be likely to achieve one of the specified objects was not so easy to answer.

In *Re Consumer & Industrial Press Ltd* (1988) 1 BCC 68 Mr Justice Peter Gibson said "likely" to be achieved in section 8(1)

section 8(3) "does not mean that it is merely possible that such a purpose will be achieved; the evidence must enable the court to hold that the purpose in question will more probably than not be achieved."

He therefore required that on a scale of probability of 0 (impossibility) to 1 (absolute certainty), the likelihood of success should be more than 0.5.

That standard of probability was too high, for the following reasons:

First, "likely" connoted probability, but the particular degree of probability intended must be gathered from qualifying words (very likely, quite likely, more likely than not) or context. It could not be a misuse of language to say that something was likely without intending to suggest that its probability exceeded 0.5.

Second, the section required the court to be satisfied of the company's actual or likely insolvency, but only to consider that the order would be likely to achieve one of the stated purposes. There must have been a reason for that change of language. It indicated that a lower threshold of persuasion was needed in the latter case than the former.

Third, some of the stated purposes were mutually exclusive and the probability of any one of them being achieved might be less than 0.5, but the probability of one or other of them being achieved might be more than 0.5. It was doubtful that Parliament intended the courts to embark on such calculations of cumulative probabilities.

Fourth, section 8(1) only set out the conditions to be satisfied before the court had jurisdiction. The court still retained a discretion whether or not to make an order. It was therefore unlikely that the legislature intended to set a modest threshold of probability to found jurisdiction and to rely on the court's discretion not to make order in cases in which, weighing all the circumstances, it seemed inappropriate to do so.

Fifth, the Report of the Review Committee on Insolvency Law and Practice (Command 8558, para 508) which recommended the introduction of administrators, said the new procedure was likely to be beneficial only in cases where there was "a real prospect of returning to profitability or selling as a going concern". Elsewhere it spoke of an order being made if there was a "reasonable possibility" of a scheme of reconstruction. The court thought that that kind of phraseology was intended to be reflected in the statutory phrase "considers that (it) would be likely" in section 8(1).

The requirements of section 8(1)(b) were therefore satisfied if the court considered there was a real prospect that one or more of the stated purposes might be achieved. It might be said "real prospect" lacked precision compared with 0.5 on the scale of probability, but the courts were used to dealing on other contexts with such indications of degree of persuasion. "Prima facie case" and "good arguable case" were well-known examples.

On the evidence there was a real prospect that an administration order, coupled with the agreement with Berkley House, would enable the whole or part of the company's undertaking to survive, or at least enable the administrator to effect a more advantageous realisation of assets than in a winding up. The prospects for the company, its employees and creditors looked bleak if no administration order was made and there had to be a winding up.

Consequently, although the court could not say it was more probable than not that one of the specified purposes would be achieved, it accepted the opinion of the prospective administrator that the making of an administration order offered the best prospect for preserving the company's future and maximising the realisation of its assets for the benefit of its customers.

The order was made.

For the applicant directors: Matthew Collings (William Prior & Co)

Rachel Davies
Barrister

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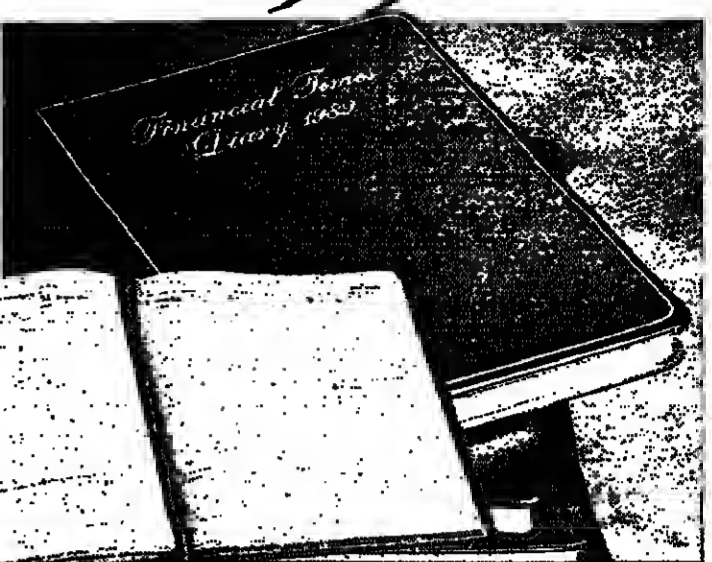
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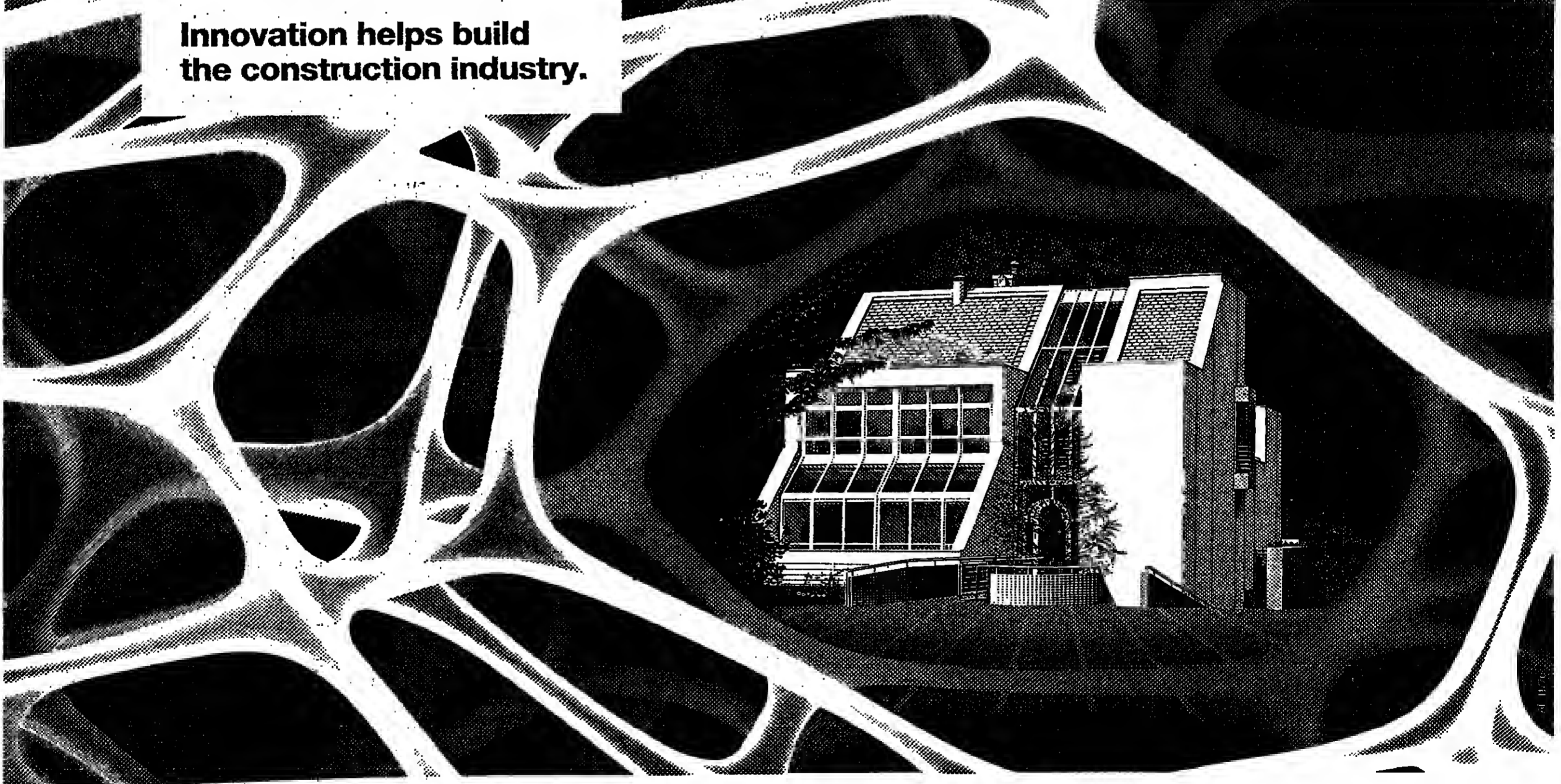
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TECHNOLOGY

High speed transistor

By David Fishlock

AT&T Bell Laboratories claims to have developed a bipolar transistor 12 times faster than the switches used in today's most powerful supercomputers.

It reported on the new opto-electronic device - capable of switching 140 bn times each second (gigahertz) - at the International Electron Device meeting in San Francisco this week.

The scientists made it almost atom-by-atom, by a technique invented at Bell Labs in 1980, called gas-source molecular beam epitaxy, which can deposit layers of semiconductor only a few atoms thick. The inventor, Morton Panish, likens his technique to spraying atoms. "It allows us to control with extraordinary precision the thickness and electrical properties of the layers."

The device is a sandwich of two semiconducting compounds, indium phosphide and gallium indium arsenide. Electrons move across this transistor sandwich about five times faster than in the customary silicon bipolar transistors, because they are slowed by far fewer collisions with atoms. The result is a device which switches rapidly and consumes little power.

Bell scientists believe that even greater switching speeds can be achieved. They speculate that the device could find a role as a switch in future lightweight communications systems, which would have much higher (gigabit) frequencies and hence much greater capacity.

"Some day it might also be integrated on the same chip with present lightweight devices, such as lasers and detectors, made of the same materials system," suggests Richard Nottingham, a member of the team.

Special facilities for engineering

SIRA, an applied research company of Chislehurst, UK, is offering its specialist engineering and production facilities on a contractual basis for the manufacture of high precision optical, electronic and mechanical components and assemblies. The facilities should mainly interest aerospace and defence companies.

This week's rail crash near Clapham Junction in south London, which left 38 dead, has focused attention on, among other things, the safety of signalling systems.

Like many other areas of rapid, crowded transport, rail signalling is being taken over by the microchip. Electro-mechanical equipment is being ousted by computer-controlled systems in the signal boxes, at the trackside and in the trains.

Radio signalling and optical fibre cables, which can transmit enormous amounts of data over hair-thin strands of glass, are replacing the traditional cabling. In the future, railway networks could even be controlled from space.

One of the most important developments has been the introduction of solid state interlocking (SSI), which uses a computer to imitate the way the levers worked in old-fashioned signal boxes. The term interlocking is a leftover from the days when metal bars interlocked the giant points levers with the levers controlling the signals, so that one could not move without the other.

Electro-mechanical systems, based on reed relay technology (mechanical switching operated by power-assisted levers), replaced the older system more than 20 years ago. Now these are being superseded by SSI systems, which manufacturers say are about 10 per cent cheaper.

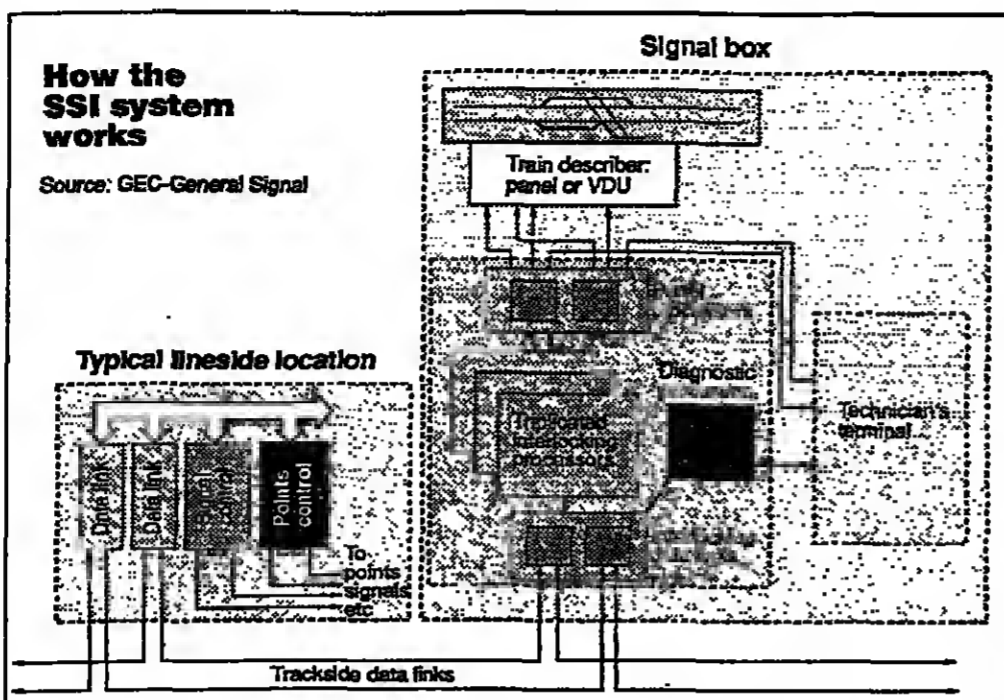
But it is taking the railway companies some time to implement SSI technology because of the need to ensure safety. "If a relay fails, it does so in a known way. It's like a stick, you know how it will snap," says Roger Ford, technical editor of *Modern Railways* magazine. "A microprocessor could run berserk in any number of ways."

One of the first organisations to adopt SSI was the Japan Railway Group. In 1985, it brought a system into service on a busy suburban line at Higashi-Kanagawa north of Yokohama.

In the UK, which is seen as a world leader in SSI technology, British Rail, GEC-General Signal and Westinghouse Brake and Signal began work on a system in the early 1980s. To cover the safety requirement, BR ran extensive validation tests on the software and then froze it so that it could not be altered in any way. Although operational software can be changed to adapt the system to different railway companies or individual lines, the crucial

How the SSI system works

Source: GEC-General Signal



Locking safety into the computer controls

In the aftermath of the London train crash, Della Bradshaw looks at advances in signalling systems

processing software cannot. SSI systems work on data sent by cables from the railway track; the most important information is to identify which sections of the track are occupied. With the British system, the signal operator can only change the signals or points if three microprocessors or computers agree to allow the change. If one of the three signals develops a fault and disagrees with the other two, it opts out by overloading the circuit and blowing a fuse.

The system operates a fail safe mechanism: if there is any fault, the signals automatically switch to red.

Other companies have gone for a different type of SSI (although this electronic system was invented in the UK, it has become a generic term). General Railway Signals of the US and Sweden's Ericsson Signalling Systems have single processor systems, which run two software programs simultaneously. The programs, written by two teams of software engineers, perform the same

function as the two processors in the UK-developed system: if the two programs do not agree the signals or points cannot be changed.

Generally the equipment must cope with many different types of traffic: high-speed, local or freight trains. Where countries have invested in separate networks for high speed trains, they have used different signalling techniques.

Japan Railway Group developed its high speed shinkansen, or bullet train, network 20 years ago. Instead of using trackside signals - which are difficult for drivers to see when the trains are travelling at up to 240 km per hour - the information is picked up and displayed inside the driver's cab.

The digital display indicates whether the train should slow down or accelerate. If the driver fails to slow down quickly enough, the computer in the cab takes over automatically and puts on the brakes. The signal is sent to the driver's cab from transmitters on the track, which in turn

receive it from a central control point. "There are just two signalling posts on 1,800 km of high-speed lines," says Tatsuhiko Suga, director of Japan Railway's Paris office. "One post handles the 1,100 km of track from Tokyo to the west and the other the 700 km from Tokyo northwards."

Similar signalling in cab systems are used on high speed lines in France and West Germany. France's TGV (*train à grande vitesse*) 427 km route from Paris to Lyons, for example, is controlled from the Gare de Lyons in Paris.

Countries which have no separate high-speed tracks may have to go to the expense of adopting in-cab signalling if they want to introduce faster trains, which take longer to stop.

One option open to BR in the UK is to use in-cab signalling to enhance the existing system on its proposed 140 mph class 91 Electric trains. It had planned to use an in-cab system on its defunct advanced passenger train. (Because of

the inquiry into the Clapham Junction disaster, which is believed to have been caused by a signalling failure, BR refused to talk about its future plans for signalling.)

With BR's current system there are four colour combinations: green, double yellow, yellow and red. The proposal is that when a very fast train passes a green signal, data will also be fed into the cab to indicate whether the next signal is to be green (allowing the train to continue at 140 mph) or double yellow (in which case the train should slow to 125 mph).

BR has already installed a type of in-cab signalling in trains on rural routes, where it is cheaper to send the signalling information to the driver by radio, than to install trackside signals.

In the US, radio systems are used to locate trains. General Railway Signals has developed a system in which electronic tags are placed at regular intervals along the trackside. These are read by the trains as they pass, and they send back radio signals to the computer control centre to inform the operators of their location. The operations centre then transmits signals back to the cabs informing the drivers about speed limits.

But this only transmits data, which takes up a tiny amount of radio bandwidth. Radio systems to enable voice communications between train drivers and control centres are being installed, but take up much more space in the spectrum.

Geostar and Rockwell, in the US, are selling train location systems that use satellite communications instead of terrestrial radio links. The information is beamed up from the train to the satellite and on to the control centre. Instructions take the reverse route.

The US is particularly prominent in satellite location systems because of the huge distances covered by a relatively small number of trains.

Michael Boden, managing director of GEC-General Signal, believes the technology is not yet precise enough for use in Europe. "We have looked at satellite technology and although it is possible to pinpoint trains to within a few metres, we have to ask whether it can be done in a fail-safe way. We're not satisfied that it can."

However, in France, the *Société Nationale des Chemins de fer Français* (SNCF) is planning to operate a satellite location system with France Telecom by the turn of the century.

A diverless way to build subsea wells

By Mark Meredith

BP has put on display its solution to the problem of tapping oil at great depths.

The Diverless Subsea Production System (Disps) is a large structure of interlocking production units, which can be assembled by remote control in a steel frame on the seabed.

It is designed for the next generation of oil exploration and development in water more than 350 metres deep: too deep for divers to handle the final assembly. BP wants the system to work at depths of up to 450 m and plans to improve it so that it will operate ultimately at 700 m.

Disps is seen as a way to increase exploitation of North Sea reserves. The project opens up the possibility of reaching small accumulations of oil which would not justify a full production system.

At 215m this is the most expensive research and development project run by the Petroleum Development side of BP.

A Disps field would first see the big steel frame lowered to the seabed. Drill ships would then be used to drill eight wells through holes in a template. The various parts would then be lowered from a ship and stacked on top of each other in bays within the frame.

The ship will use its dynamic positioning facilities - computer-activated propellers linked to a satellite navigation system - to keep the vessel within a few feet of its required position.

Although motion compensators on the ship will overcome some of its movement, the strength and cradle formation of the frame are designed to guide each unit into place, even if it is approaching the frame at a 15 degree angle.

Some of the problems of assembly at great depths are being simulated on a land-based test rig, fabricated at Davy Offshore Modules in Middlesbrough. Here units have been lowered by a crane at some speed and with a considerable clank. But hydraulic shock absorbers stop the module, allowing it to connect with the section below.

The units which will be lowered to the seabed include the "Christmas tree" with all the production valves. Beside it

stands a stack of modules: the isolation valve, production choke, flow control and production control.

Standardised locking systems allow units to be lifted out and replaced, which facilitates servicing.

Connections and the operation of valves are carried out through hydraulic lines which rise in a bundle, with the control lines, to the ship.

The Disps will be connected either to a production platform or to a floating control base. It has no facilities to handle the separation of oil and gas or for pumping oil and gas to storage or shipment points. Over-ride systems can shut down a unit in case of a failure.

The system allows small satellite production wells to be tied into the main structure. The eight wells can either be used for oil extraction or for injecting water to maintain the pressure in the underground oil reservoir. The technique of injecting gas, known as gas lift, can be used to lighten the weight of the rising column of oil.

A team of seven full-time BP engineers have worked on Disps since the project started in 1986. Mark Woolveridge, director of BP Engineering Services, says that a working model should be ready for underwater trials in Loch Linnhe, in the west of Scotland, next year. A prototype may later be tested in the Moray Firth off the Scottish east coast. It is hoped the system will be ready for commercial application within the next couple of years.

The fall in the oil price and the falling off of large oil accumulations in the North Sea have made subsea production systems an attractive alternative. Safety factors also mean that oil companies prefer to keep diver activity to a minimum.

Statistics from the Association of Offshore Diving Contractors show that 1,700 divers were working offshore in the North Sea during a census week this year - well below the 2,360 recorded in 1986.

Disps has financial assistance from the European Community. EBF Petroleum, part of the French oil company, has helped fund a delivery system for the modules.

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EGGs ARE A VALUABLE AND NUTRITIOUS part of a balanced diet.

We in Britain eat, on average, 30 million eggs a day – 200 million a week.

The number of reported cases of food poisoning from salmonella linked to eggs is very small by comparison with the huge numbers of eggs that are consumed.

So far this year there have been 49 reported outbreaks of salmonella traced back to eggs. These outbreaks have affected 1,000 people, but this underestimates the numbers.

The Government and the industry are tackling the problem and, among other things, have issued codes of practice for poultry breeders and egg producers.

In the meantime people will want to know the facts about a basic part of their daily diet.

The Government has therefore asked its Chief Medical Officer, Sir Donald Acheson, to advise the public about the use of eggs. Sir Donald's present advice is:

“for healthy people there is very little risk from eating eggs which are cooked, however you prefer them – boiled, fried, scrambled or poached;

for vulnerable people – that is, the elderly, the sick, babies, toddlers and pregnant women – eggs should be thoroughly cooked until the white and yolk are solid;

but everyone should avoid eating raw eggs or uncooked foods made from them – for example, home-made mayonnaise, home-made mousses, home-made ice-cream or raw eggs mixed with drinks.”

The Chief Medical Officer adds:

“As with all cooked foods, egg dishes should be eaten as soon as possible after cooking. And if the dishes are not for immediate use they should be kept in the fridge.”

Please follow this advice.

THE PROPERTY MARKET

Not quite a runaway success

Paul Cheeseright asks whether Gateshead's MetroCentre will begin an out-of-town shopping trend

MetroCentre is banking in the consumer boom. The seasonal sales might have come early to Oxford Street in London this year but there are precious few announcements of price reductions at MetroCentre.

It is the first and biggest out-of-town shopping complex in the country, built on the site of a waterlogged coal ash tip in Gateshead. Chesterton, MetroCentre's managing agents, expect shoppers to spend £34m at the centre this year.

If developers have their way there would be similar ventures scattered around Britain on the edges of the main cities. But the Government's cautious, if ambivalent, planning policy on major shopping centres has restricted them. With Merry Hill, at Dudley near Birmingham, MetroCentre remains the only testing ground for a style of retailing new to Britain but familiar in the US and the only source of information on which to judge the impact of a rival to the traditional city centre.

So far MetroCentre has been lucky. It had a cost structure subsidised by the 100 per cent building allowances available in all Enterprise Zones. Its

space was let against a background of retailers chasing each other around for space. It opened at a time of rising consumer expenditure.

All the basic economic factors have been in its favour and have remained so. Anecdotal evidence suggests that the strains which have appeared in the retail sector in the south east, as higher interest rates take effect, have not yet arrived at MetroCentre.

Which is just as well for the Church Commissioners, who are the freeholder after purchase of the project from Cameron Hall Developments. MetroCentre opened in late 1986 and the initial months were sticky as MetroCentre did better with visitors than it did with shoppers. Since July 1987 the number of visits and the amount spent have both increased.

MetroCentre has established itself in the retail fabric of the region, but surveys of customers have shown that so far it has only had limited success in breaking down what appears to be a traditional distaste of those north of the Tyne for shopping south of the Tyne.

With a momentum of trading building up, the last thing the

Church Commissioners would want is a downturn in retail spending. As it is, they are receiving a yield on their investment, now worth around £200m, of probably around 7 per cent.

However, there is extensive debate about how successful MetroCentre actually is. If it had been a runaway success then it is reasonable to assume that other shopping complexes in the area, notably Eldon Square in Newcastle city centre, owned by Capital and Counties and the Newcastle City Council, would have been hurt more than they have been.

The effect of MetroCentre appears to have been marginal. As far as present trading is concerned, Mr Gordon Allanson, the Eldon Square manager, concedes that the picture is mixed. Some fashion areas are not doing very well. The stores which have traded well nationally - John Lewis Partnership, Fenwick's, Body Shop, Sock Shop and so on - have been trading well at Eldon Square. Those with acknowledged problems - BHS for example - have the same problems at Eldon Square. Marks and Spencer is holding

its own and considering expansion.

So it looks as if MetroCentre has pinched the growth in regional trade and topped this up with customer visits from outside the Tyne and Wear area and from as far away as Norway. But when MetroCentre trading levels are pulled down to figures there is room for dispute.

Chesterton's predicted £340m turnover for 1988 is based on an electronic monitoring of car visits, on the assumption that one car equals one customer and the further assumption that the average customer spends £52 during a visit to MetroCentre.

This figure of £52 is based on surveys of customers carried out for Chesterton and the Church Commissioners by PA Cambridge Economic Consultants last June and now being updated. As 69 per cent of MetroCentre visits are by car, Chesterton argues that the overall turnover figure could be an understatement.

But other research carried out by the Oxford Institute of Retail Management suggests that the actual level of spending by each customer is lower than that found by PA. This research, carried out in June,

found that the average customer was spending £40 on Saturdays and £34 during the week. If this is correct then Chesterton's turnover figure is overestimated rather than underestimated.

The position is further complicated by the presence at MetroCentre, in addition to the three miles of shop-fronts and the 1.5m sq ft of retail space, of a 70,000 sq ft leisure area (a familiar by any other name), a multi-screen cinema and soon a bowling alley. The place, as Chesterton puts it, is "a township out of town." There must inevitably be some confusion in the customer counts among the people who come to shop and those who come for the leisure facilities. The relationship between leisure and retail is not yet fully understood.

Banding around the figures may look a rather arcane exercise but it has its significance in a wider context. The steps which MetroCentre has taken to find its commercial niche, will be used as evidence in planning enquiries to help establish whether similar centres should be established elsewhere.

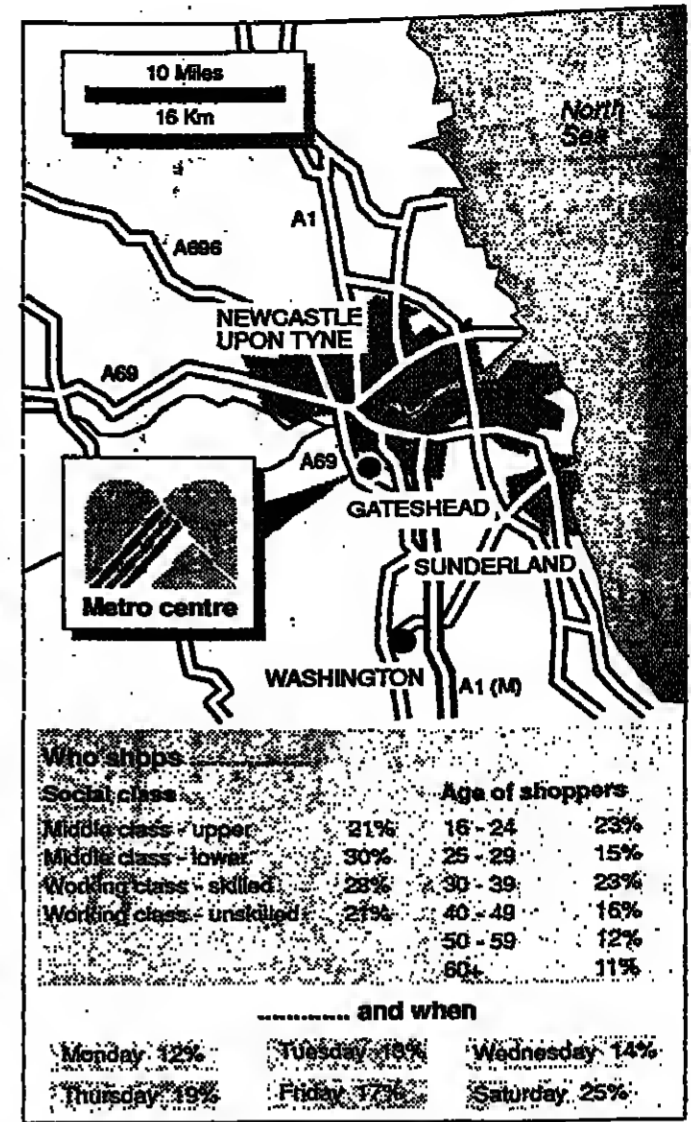
At the same time the build-up of MetroCentre provides a lesson for retailers and

will influence their attitude to similar ventures. At the moment it is too early to make any final judgments, especially because the Enterprise Zone provisions provide retailers with cost concessions.

But the retailers' experiences have not been uniformly happy. Boots and Sears had initial problems. Bally has recently pulled out. Smaller concerns found it difficult to become established. Recently three shops in the antiques court withdrew.

Having said that, there is no shortage of demand for space. The vacancy rate at MetroCentre is less than 2 per cent and rents have risen for new entrants by about 50 per cent. Woolworth, which has recently taken space, is paying £75 per sq ft Zone A, about half Oxford Street levels and much the same as would be paid in Cardiff.

The rise in rents is a reflection of the national pattern, but they have come off a low base. Initially the MetroCentre rents were set at roughly half those of Eldon Square. But it will only be after the first rent reviews and the imposition of the uniform business rate that the true competitive position of MetroCentre will emerge.



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Translink Joint Venture and/or GIE Transmanche Construction, Contractor for construction and equipment of the Channel Tunnel Project invite applications for prequalification for Fire Detection System.

Scope to include design, supply, installation and commissioning of the System.

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Applications from interested Companies wishing to receive the Prequalification Questionnaire for completion, should be made by 9th January 1989 to:-

M.G. Rylance,
Contracts Administration Manager,
Translink Joint Venture
And/or GIE Transmanche Construction,
Surrey House,
Throley Way,
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Fax: 01-643 998
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Applications from interested Companies wishing to receive the Prequalification Questionnaire for completion, should be made by 9th January, 1989 to:-

M.G. Rylance,
Contracts Administration Manager,
Translink Joint Venture
And/or GIE Transmanche Construction,
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015/578/06/07/15, JW
12th December 1988

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
DEN HORNBE CREDITTRUST PLC
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order and Minutes of the High Court of Justice (Chancery Division) made on 7 November 1988 confirming the reduction of the capital of the Company from £50,000,000 to £25,000,000 and the reduction of the amount standing to the credit of Share Premium Account of the above-named Company by £25,000,000 both respectively reduced and effected by a Special Resolution passed at the Extraordinary General Meeting of the Company held on 8 September 1988 was registered by the Registrar of Companies on 30 November 1988.

Dated this 13th day of December 1988

FRESHFIELDS (77/77/20011)
Walden House
17-21 Cannon Place
LONDON EC4M 7JA

Solicitors for the above-named Company

THE COMPUTER INDUSTRY

The Financial Times proposes to publish this survey on:

22nd February 1989

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds
on 01-248 8000 ext 4540

or write to him at:

Bracken House
10 Cannon Street
London
EC4P 4BY

COMPANY NOTICES

EUROPEAN ECONOMIC COMMUNITY
ECU 50,000,000
11 5/8% 1983/1993

We inform the bondholders that the redemption instalment of ECU 6,250,000, nominal due on 7 February, 1989, has been satisfied by a drawing on 9 December, 1988, in Luxembourg in the presence of an *huissier*. The 6,250 drawn bonds will be reimbursed at par on February 7, 1989.

In accordance with the terms and conditions of the bonds, the issuer has elected to redeem anticipatively all of its outstanding bonds at 101% on February 7, 1989.

Interest on the bonds will cease to accrue on February 7, 1989.

The bonds (drawn or called anticipatively) will be reimbursed, coupon *nr* 7 due on February 7, 1989 and following attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows:

3182 & 9431

The serial number of bonds previously drawn were as follows:

As of 7 February 1989: from 25,043 to 31,292
As of 7 February 1987: from 18,784 to 25,042 and from 31,293 to 32,283
As of 7 February 1988: from 8,889 to 16,119

THE PRINCIPAL PAYING AGENT
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Expressions of interest from principals must include their financial capability, with all material received held in confidence by B.C.Hydro. Agents will require direct written authorization from their principals and B.C.Hydro will not pay any agent's fees or commissions.

Qualified proponents will be notified in early January 1989 and an information package will be made available upon payment of a \$2,000 CDN non-refundable fee and execution of appropriate documentation.

Submit written expressions of interest as soon as possible to B.C.Hydro, Properties Division, Attention: Robert Ritter, Suite 900 - 1045 Howe Street, Vancouver, B.C. V6Z 2B1 Canada.



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PROPERTY
AUCTIONS

The Financial Times proposes to publish this survey on:

20th January 1989

For a full editorial synopsis and advertisement details, please contact:

Tessa Taylor
on 01-248 8000 ext 3211

or write to her at:

Bracken House
10 Cannon Street
London
EC4P 4BY



COMPANY NOTICES

NOTICE OF MODIFICATION OF WARRANTS
PASCO CORPORATION

U.S.\$50,000,000 4% per cent. Guaranteed Notes due 1991
U.S.\$85,000,000 1% per cent. Guaranteed Notes due 1992
with Warrants to subscribe for shares of common stock of PASCO CORPORATION

NOTICE IS HEREBY GIVEN, in accordance with the Instruments by way of deed poll executed on 26th March, 1985 and 9th July, 1987, respectively, by Pasco Corporation (the "Company") in connection with its issue of bearer warrants (the "Warrants") to subscribe up to \$49,015,000,000 and \$12,554,500,000 for shares of common stock of the Company, respectively, that the Company has executed two Supplemental Instruments by way of deed poll dated 16th December, 1988 modifying the terms of the Warrants. From 16th December, 1988 the Dividend Accrual Period defined in Condition 4 of the Terms and Conditions of the Warrants shall mean the six-month period from 1st October, 1988 ending on 31st March, 1989 and thereafter each one-year period ending on 31st March in each year.

This modification is made consequent to a resolution dated 16th December, 1988 of the general meeting of the shareholders of the Company changing the fiscal year of the Company.

Shares issued upon exercise of any Warrant during the period from 1st October, 1988 to 31st March, 1989 shall entitle the holders thereof to participate in full in any dividend on the Shares with respect to the entire six-month Dividend Accrual Period from 1st October, 1988 to 31st March, 1989, in accordance with Condition 4 of the Terms and Conditions of the Warrants.

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TO THE NOTE HOLDERS OF
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At the ordinary general meeting of shareholders of the Company held on 18th December, 1988, a resolution was adopted to amend the Company's Articles of Incorporation so as to change the Company's financial year-end from 30th September to 31st March. As a consequential measure, the Company will have a six-month financial year running from 1st October, 1988 until 31st March, 1989 and thereafter its financial year will run from 1st April to 31st March in the next year. As a consequence, the record dates for the payment of annual dividend and interim dividend will be 31st March and 30th September, respectively in each year, except for the fiscal year running from 1st October, 1988 until 31st March, 1989 where there will be no interim dividend or record date thereafter.

Daijyo Incorporated
By The Sasebo Bank Limited
Principal Paying Agent

ARTS

Arts Week

EXHIBITIONS London The Royal Academy, Toulouse-Lautrec: The Graphic Works. Comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsman. Joint admission tickets are generally available for concurrent exhibitions at the Royal Academy. Ends Jan 4.

years by an artist who died 6 years ago at the age of 50. Also photographs of Iceland and the remote northern islands by Thomas Joshua Cooper. Until Jan 8. Paris Le Pavillon de Flora. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandt's pupils and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pont Royal (42 50 39 26). Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirling in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of inventions to metaphysical preoccupations in his recent works. Closed Tue, ends March 27 (42 77 12 33).

and on to the nightmarish contemporary images, the visual arts follow closely Germany's historical destiny. 14 rue Bonaparte (49.37.01.18). Ends Dec 31. Jan 8. Brussels Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgeravde, Filatov, Chirkov, Yanklevsky. Closed Monday, ends Dec 31. Musée d'Art Moderne, 12 Place Royale. The First Group of Laethem-St Martin 1889-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon, ends Dec 31. Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire, China, Heaven and Earth, 5,000 years of Invention and Discovery. Instruments and artworks largely from collections in Belgium, China and Britain which illustrate Chinese innovations in science and technology. Closed Monday, Musée d'Ixelles, 71 rue Jean van Voelven, Belgian Art Deco 1920-40. Daily 13-19.30, Sat and Sun 10-17.00. Closed Monday, ends Dec 15. Musée d'Art Ancien. From Manet to Picasso. The Reader's Digest Collection. Impressionist and Post-Impressionist works from the corporate headquarters in Pleasantville, New York. Closed Monday, ends Jan 22. Palais des Beaux-Arts, 23 rue Ravenstein-Claes Oldenburg. A Bottle of Notes and some Voyages. Sculptures, drawings and models that reach beyond the genre of Pop Art. Closed Monday, ends Dec 30 (512 50 45).

waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the Imperial Roman court. Sponsored by Olivetti (celebrating its 80th birthday) and co-ordinated by the British Museum, the exhibition has already toured the three major donor museums: the Corning Museum of Glass (New York State), the British Museum and the Romisch-Germanisches Museum in Cologne. It contains masterpieces dating from the 1st century BC to AD500, most of which have been included on the earlier part of the exhibition's itinerary. The Rome version lacks the British Museum's Portland Vase, but contains three particularly interesting additions. One of the loveliest is a deep purple silver handled wine-bucket, engraved with a Dionysian scene (4th century AD), from the treasures of St Mark's, Venice. The show is proof of the extraordinary good taste of the Caesars and their enlightened attitude to the decorative arts. Constantine did his part to encourage glass-makers in AD37 by exonerating them from a special tax levied on all craftsmen. Until Jan 31. Galleria Nazionale d'Arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 28. Venice Museo Correr a la napoleonica: Giorgio de Chirico (1898-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. On show are over 150 works from public and private collections, including the Metropolitan and Guggenheim in the USA, and the Pompidou in Paris, by a painter

declared dead in the 1920s by Andre Breton, author of the surrealist manifesto, who disliked his change of style from metaphysical to poetic. Ends Jan 15. New York Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8. New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest historic items are Dead Sea scrolls, the 13th-century Xanten bible from Germany and the Mahum Commentary. Ends Jan 14. National Gallery, Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Blake, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting Venetian landscapes of five centuries, is at the National Gallery. Chicago Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime", which covers a century from Thomas Rowlandson's satires through Turner, Martin and Lear to the pre-Raphaelites. Ends March. Washington National Gallery, Phillips Collection. The modern vision of the pastoral landscape, with works

by Gainsborough, Constable, Blake, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting Venetian landscapes of five centuries, is at the National Gallery. Tokyo National Museum. Treasures from the Horyu-ji Temple. The centrepiece of this small but exquisite exhibition from the great temple in Nara is the Kudara Kannon, a graceful samphorwood statue of the Buddhist goddess of mercy, dating from the 7th century. Other works include a "dream-changing" Kannon, which the faithful believe will turn nightmares into sweet dreams. Statues, scrolls, masks, metalwork and furniture from Horyu-ji form part of the museum's permanent collection but, because of their extreme fragility, are only placed on public view on Thursdays. A visit on that day is therefore highly recommended. Closed Mondays. Ends Dec 18. Idemitsu Museum. Ukiyoe Paintings. Ukiyoe is usually associated with the woodblock print, but this delightful exhibition focuses on scroll paintings by some of the masters of the "floating world" - mainly genre scenes and portraits of beautiful women in colourful kimonos. It is drawn from the museum's own collection, as is the permanent display of Japanese and Chinese ceramics. Refreshments are available and there is a fine view of the Imperial palace moat. Closed Mondays. Teien Museum. Paintings by Leonard Fujita (1868-1968), one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career.

Theatre London Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Frimley. Stiles joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (828 2282). The Wizard of Oz (Barbican). Re-cast for next year's RSC Christmas show of the MGM film, scenically a treat but, like the Cowardly Lion, lacking heart. Ends Jan 14 (838 8891). Richard II (Phoenix). Derek Jacobi in top form - petulant, funny, mellifluous - is both ideally cast and full of surprises as the monarch who exchanges trappings for knowledge. Other wise a production of prehistoric values, with cressed thighs, wimple, trumpets off and Robert Edisons as John of Gault (836 2282, GO 240 9661). A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-throwing and no-guns tricks (838 2278, ex 889 1438). The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (828 2282, ex 240 7200). Feathered Lovebirds (Phoenix). 1947 Letter and Love - "heavenly-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (838 8811, ex 838 2423). The Shrews (Aldwych). Eight short Chekhov pieces - four vaudevilles, four early stories - translated and adapted by

Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, inappropriately funny (836 8404, ex 379 8233). New York Humours (Brookhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Evaranski leads an ebullient cast in this inevitable but disappointing hit. Cats (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically saline (238 8282). Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and tramped-up, silly plot (886 6510). Tokyo Kabuki this month celebrates the art of the Onnagata (female impersonator). At the National Theatre, 71 year old Iwano National Theatre, Nakanuma Umemoto, 71, plays one of his most famous roles, perhaps for the last time, in Meiboku Sendai Hagi (The Disputed Succession). Feathered Lovebirds (Phoenix). 1947 Letter and Love - "heavenly-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (838 8811, ex 838 2423). The Shrews (Aldwych). Eight short Chekhov pieces - four vaudevilles, four early stories - translated and adapted by

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

*A survey of European Chief Executives, 1986.

Table with 4 columns: Country, Telephone, Fax, Telex. Includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey.

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MUSIC London

Royal Philharmonic Orchestra, with the Brighton Festival Chorus conducted by Andre Previn. Schoenberg, Brahms, Royal Festival Hall (Fri) (01-928-8300). London Philharmonic, with the London Philharmonic Choir, conducted by Kent Nagano. Messiaen, Ravel, Walton, Elgar, Beurs (Sat) (01-928-8600). Paris Ensemble Intercontemporain conducted by Pierre Boulez. Carter, Thea; Renaud-Barrault (Mon) (42 56 08 80). Nouvel Orchestre Philharmonique conducted by Marek Janowski with Felicity Lott and Siegfried Jerusalem and the Radio France Choir, Franz Lehar. (Wed, Thur) Theatre Des Champs Elysees (47 20 36 37). Nouvel Orchestre Philharmonique conducted by Marek Janowski with Felicity Lott and Siegfried Jerusalem and the Radio France Choir, Franz Lehar. (Wed, Thur) Theatre Des Champs Elysees (47 20 36 37). Orchestre de la Suisse Romande conducted by Daniel Barenboim, Isaac Stern, (violin), Sallie Pleyel (Mon). Orchestre de Paris Choir conducted by Arthur Oldham. Bruckner, Sallie Pleyel (Wed, Thur) (45 63 88 73).

Amsterdam

Yehudi Menuhin conducts the Netherlands Philharmonic with Dong-Suk Kang (violin), Badings, Dvorak, Mendelssohn, Schubert Concertgebouw (Fri, Sat, Sun (matinee)). Handel's Messiah performed by the Netherlands Handel Society, the National Philharmonic and soloists under Thijs Kramer. Concertgebouw (Tue) Netherlands Chamber Choir, La Petite Bande, conducted by Sigiswald Kuijken, Bach. Concertgebouw (Wed) (716 3425).

Utrecht

Netherlands Bach Society Choir and Baroque Orchestra, with soloists, perform Bach cantatas. Conductor Jos van Veldhoven. Vredenburg (Fri) The Radio Philharmonic with Stephen Bishop-Kovacevich (piano) under Sergiu Comissiona. Beethoven, Bruckner. Vredenburg (Sat) Belgian National Opera in a concert performance of Verdi's Norma. Sir John Pritchard conducting. Vredenburg (Sun)

Rotterdam

Rotterdam Philharmonic conducted by Edo de Waart, with Mariette Schmeemann (flute) and George Weigelt (trumpet). Holst, Beethoven, Tomasi, Tchaikovsky, Doelen (Sat, Sun (matinee)) Horacio Gutierrez (piano), Beethoven, Schumann, Prokofiev, Recital Hall (Fri)

Eindhoven

The Frans Liest Chamber Orchestra with Jean-Claude Vanden Eynden (piano), Coralli, Rossini, Mozart, Mendelssohn, Bartok. FOC Theatre (Fri) Roberto Benzi conducting the Brabant Orchestra, with Jari van Nes (contralto), Schumann, Mahler, Brahms. FOC Theatre (Thur) (51 38 33)

Scheveningen

Shlomo Mintz violin recital, Bach, Circus Theatre (Sat) New London Choral, Chapel Singers and Viola Ensemble, Christmas music. Circus Theatre (Tue, Thur) (65 88 00) Royal Concertgebouw Orchestra under Neeme Jarvi, with Boris Berman (piano), Nordheim, Prokofiev, Nielsen. Concertgebouw (Fri) Radio Chamber Orchestra conducted by Lucas Vis with Roger Woodward (piano), Martin Kaye and Renee Dumen (guitars), Mendelssohn, De Lussu, Messiaen, Mozart. Concertgebouw (Sat, matinee). Rotterdam Philharmonic conducted by Edo de Waart with Nigel Kennedy (violin), Walton, Holst. Concertgebouw (Sat) Netherlands Bach Orchestra, conducted by Willem Wisebehn with the Amsterdam Mixed Choir and soloists in Bach's Christmas Oratorio. Concertgebouw (Sun, matinee).

Royal Concertgebouw Orchestra

Neeme Jarvi conducting, with Boris Berman (piano), Svennson, Prokofiev, Reger. (Wed, Thur). Concertgebouw (716 3425). Juilliard String Quartet, Mozart, Carter, Franck. (Sat) Recital Hall, New Netherlands String Quartet, Schubert. (Tue) Recital Hall. Netherlands Philharmonic conducted by Bryden Thomson and Nobuko Imai (violin), Vaughan Williams, Walton, Elgar, Beurs (Dumrak) (Sun). Victor Liberman conducting the Utrecht Conservatory String Orchestra. Shostakovich, Glazunov, Tchaikovsky, (Mon) Beurs (Dumrak) (27 01 68).

Utrecht

David Zinman conducts the Radio Philharmonic and Heinrich Schiff (cello), Silbescu, Schumann, Brahms, Vredenburg (Sat) Radio Symphony Orchestra, conducted by Jean Fournet with the Broadcasting Choir and soloists, Poulenc, Les Six, Vredenburg (Sun, matinee). American Bach Soloists Bach (Brandenburg Concertos) Vredenburg (Sun). Gubner and Suer Fekinet (piano) with percussionists, Bartok, Schubert, Gershwin, Bernstein. Vredenburg (Mon). Yehudi Menuhin conducting the Netherlands Philharmonic, with Dong-Suk Kang (violin), Badings, Dvorak, Mendelssohn, Schubert. Vredenburg (Wed).

Vienna

Wiener String Quartet, Haydn, Leitmeyer, Brahms, Musikverein (Fri) Wiener Symphoniker, conducted by Stanislaw Skrowaczewski, with Cecile Ouset (piano), Weber, Saint-Saens, Richard Strauss. Musikverein (Sat).

Cologne

Gershwin-Gala 88. Porgy and Bess with the American Opera Orchestra under Emmett Steele with soloists Karen Parks, Emerson Green and Assia Zlatkova. Philharmonie (Tue, Wed).

Frankfurt

James Galway and pianist Philip Moll, Dvorak, Feld, Back and Prokofiev, Alce Opera (Sun). Trio Fonteyn, Beethoven, Brahms and Dvorak. Alte Oper (Sat).

Berlin

Berlin Philharmonie under Lorin Maazel. Yun, German premiere of D. Ghanert, R. Strauss and B. Blacher. Philharmonie (Sun, Mon).

Munich

Cherubini Quartet and Eduardo Fernandez (guitar), Haydn, Bach and Castelnuovo-Tedesco, Herkulesal der Residenz (Sun) Boston Symphony Orchestra under Seiji Ozawa, Rossini, Mozart, Beethoven, München, Herkulesal der Residenz (Mon).

Rome/Milan

Saverio Gzelloni (flute), Bach, Vivaldi, and Haydn. Auditorium in via della Conciliazione (Fri) (5541044) Janos Furst conducting Ravinale, Janos Furst (piano) (Sat, Sun, Mon, and Tues.) (5541044) Rai Orchestra conducted by Heinz Wallberg conducting Bartok and Berlioz. Auditorium at Foro Italico (Sat) (36866226). Jean Philippe Goussier piano recital. (Tues) Teatro Piccolo, (8890631).

Genoa

Wiener Walzorchestra conducted by Willi Boskovic. Vienne. Teatro Margherita.

New York

New York Philharmonic conducted by Zubin Mehta, Messiaen, Mozart, Avery Fisher Hall, Lincoln Center (Tue) (789 9585). For the Love of Music directed by Richard Strauss, Ravel, Poulenc, Chausson, Lincoln Center Hall (Wed) (632 6719).

Chicago

Clarion Trio, Schubert, Beethoven, Kodaly, Dohnanyi, Orchestra (Sat) (435 8122). Chicago Symphony Orchestra conducted by Gunter Herbig, Shura Cherkassky (piano), Haydn, Tchaikovsky, Brahms, Orchestra Hall (Tue) (435 8122).

CINEMA

Touch of the dodos

Among the lethal pieces of low-flying jargon you will meet in the film world today is the phrase "high-concept"...

- SUNSET Blake Edwards LIKE FATHER LIKE SON Ron Daniels JUST ASK FOR DIAMOND Stephen Bayly

To a movie producer with a high-concept mind, nothing is sacred. Subtlety and complexity are sacrificed on the altar of one-line hyperbole...

deduce that "P" stood for parking, "R" for reverse and "N" for neutral.

Sunset, likewise, careers along with no sense of direction, no notion of what year it is in and no appreciation of when to stop...

When not behaving like a raddled comedy thriller, the film wheezes along on nostalgia, putative charm and laboured ironies...

This is the kind of movie often described or publicised as "an affectionate look at..." Always beware of affectionate looks at. They usually mean the film-maker wants you to hang up your critical responses...

hey presto - he exchanges mental ages with his son. This story is now so well-trodden by Hollywood...

I laughed twice. Once was when Moore swins up a tree at midnight to trust with his (son's) next-door pal and the tree bends to another bedroom window to exhibit our dangling middle-aged hero to the shocked view of his pals' parents...

Some bad news, though, on the British front. With Christmas a mere eight shopping days away, I cannot advise friends and relatives of mine to spare the time to see Just Ask For Diamond...

It's an efficient mixture, and it offers a large company the chance to provide a spectacular seasonal entertainment that is entirely untroublesome, uncomplicated, and uninvolving...

Nigel Andrews

Christmas Eve

COLISEUM

Christmas Eve, sponsored by the Friends of English National Opera, is the company's festive-season offering at the Coliseum...

Christmas Eve (1895) is based on the same Gogol Ukrainian tale that had earlier served Chalkovsky for a work, Cherkashchik...

It's an efficient mixture, and it offers a large company the chance to provide a spectacular seasonal entertainment that is entirely untroublesome...

prolific Russian creator of operas, was not essentially an opera composer at all, for he had no interest in human beings.

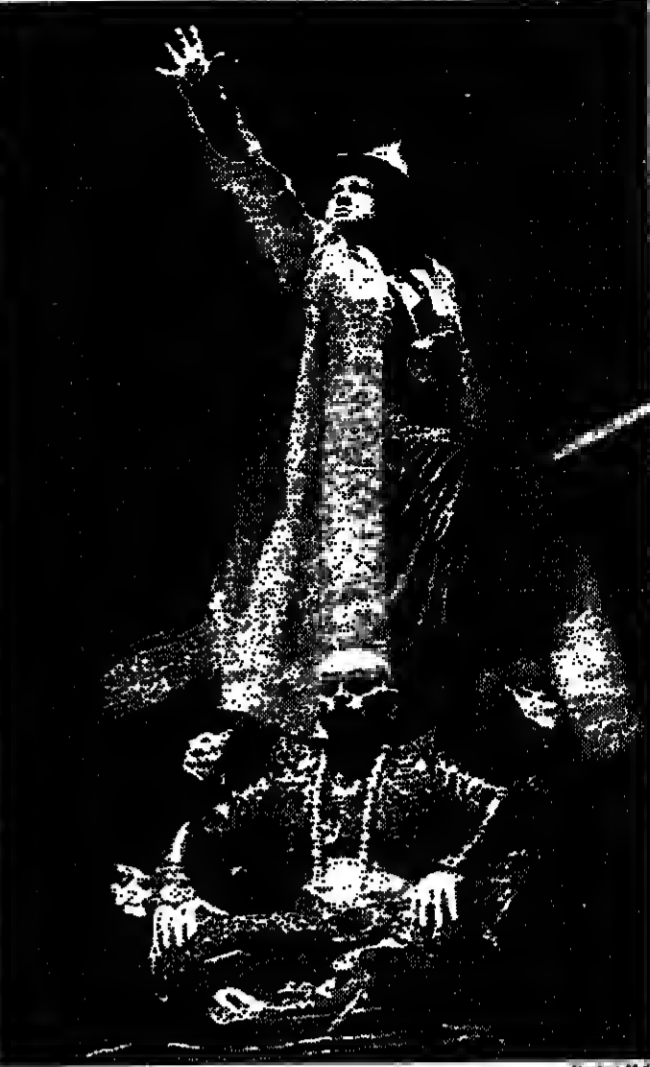
Christmas Eve does, however, supply the material for a Big Christmas Opera Show, and Mr Pountney and his designer Sue Blane and choreographer Stuart Hopps have laid busy hands on it...

The principals were infected by the English-panto manners that can afflict the production...

and a line of easy send-up that wins easy laughs. There is also much gauzy "magic" (among the most effective examples is the spider tapestry surrounding Patsyuk the medicine man)...

Altogether, the ENO Christmas Eve could stand as an exacted definition of "charismatic" opera: what a curious piece of work to find at today's hard-line, no-holds-barred ENO!

The principals were infected by the English-panto manners that can afflict the production...



Anne-Marie Owens and Mark Richardson

laconic wit and smooth singing as Chub. Catherine Pope (Oksana) was spirited, attractive to look at, delightful to listen to...

was splendidly lusty, free-ranging (this is that rare bird, an English tenor with a ringing top), good-humouredly muscle-bound...

Max Loppert

Musgrave's "The Seasons"

FESTIVAL HALL

The successful career that Thea Musgrave has made in the United States, home to her most recent operas (in Virginia) and also now to the composer herself, was a fine excuse for setting a new work by her in an otherwise all-American programme...

This is the kind of movie often described or publicised as "an affectionate look at..." Always beware of affectionate looks at. They usually mean the film-maker wants you to hang up your critical responses...

Under Neville Marriner, the Academy rewarded Musgrave with playing of their usual professionalism and an added degree of intensity. A mention should also be made of Einar Oliveira, soloist in Barber's Violin Concerto...

Richard Fairman



Fiona Chadwick

Cinderella

COVENT GARDEN

It is the common fate of ballets that, as the years pass, effects are blurred, choreography dulled, mannerism replaces manner. No sadder example exists in the Royal repertoire than Ashton's Cinderella...

The initial fault lies in last year's redesigning of the piece by David Alder. Chalkovsky is important in costuming, elaboration is endemic in every outfit, and the setting for the ballroom must surely be accounted as the ugliest in the company repertoire...

construmate droll, and because a character existed beneath the flounces and fanaticism. Mr Rencher is blatant, and at moments unsavoury...

The initial fault lies in last year's redesigning of the piece by David Alder. Chalkovsky is important in costuming, elaboration is endemic in every outfit...

dance was touched with the happiest intoxication of spirit, and was a joy. Jonathan Cope was clear in dancing, elegant in manner...

Clement Crisp

Juilliard Quartet

WIGMORE HALL

No celebration of Elliott Carter's 80th birthday would have been complete without the Juilliard Quartet. The four string quartets have become established as the core of Carter's achievement...

remembers that when other quartets used metronomic "click-track" tapes to master the intricacies of the Third, they insisted on doing without such props, preferring to sacrifice the last degree of precision for more vivid characterisation and cohesion...

Andrew Clements

ARTS GUIDE

OPERA AND BALLET

London Royal Opera, Covent Garden. The second opera production by Nuria Riera to be given by the Royal Opera is a new Rigoletto, designed by Emilio Scifo and conducted by Michael Rieder...

Brussels Theatre Royal de la Monnaie. Norma, the concert version, with Sharon Sweet as Norma, and Martine Dupuy as Adalgisa. Cast includes Harald Stam, Robert Lloyd, Nino di Stefano and the Chorus of the Monnaie...

Berlin Deutsche Oper. Otello has a star cast led by Raina Kabaivanska, Kaja Borris, Vladimir Atlantov and Renato Bruson. The rarely played Die Eugenieten features Angela Denning, Pilar Lorengar, Ancea Andonian, Richard Leech and Victor von Haem...

Der Barbier von Sevilla and Così fan tutte. Fidelio brings Sabine Hass, William Cochran, Hartmut Welker and Franz Mayer together. Artifact, danced to music by Stravinsky in a William Forsythe choreography.

Rome Teatro dell'Opera. Two ballets to music by Ballo Roti: 'Cattopardo Sorventi' and 're-working of the ball scene from the film version of Giuseppe di Lampedusa's novel 'The Leopard'...

Milan Teatro alla Scala. Luca Ronconi's super-realistic production of Rossini's William Tell with photographic backdrops of mountain scenery, sung by Chris Merritt (Arnold), Giorgio Zancanero, alternating with Antonio Salveduto (Tell) and Lella Cuberli alternating with Cheryl Studer as Mathilde...

Wire magazine and Carlsberg jazz awards for 1988

The Wire magazine and Carlsberg British Jazz Awards for 1988 have been won by Cleveland Watkins (Best Vocalist), Gang of Three (Best New Band), Human Chain (Best Band) and saxophonist Andy Sheppard (Best Instrumentalist)...

Radio Award for the Best Album to Courtney Pine, for Dexters' Song and the Image of Pursuance (on the Antilles label); the Carlsberg Award, to Mike Gibbs for his "outstanding contribution to jazz"...

FINANCIAL TIMES

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Friday December 16 1988

The problem is not solved

MOST OF the world has long since recognised that the Palestinian Arabs are one of the main parties to the Arab-Israeli conflict: that they wish to be treated as a party in their own right; that the vast majority of them see the Palestine Liberation Organisation, for better or worse, as their representative; and that therefore the PLO has somehow to be involved in any settlement of the dispute.

Yet until now the US, the power with the greatest influence in the region, was unwilling or unable even to talk to the PLO. That was a serious obstacle on the path to a settlement, and its removal is welcome. But no one should suppose that the problem is thereby solved, or even that a solution is now likely to be either easy or quick.

The first point to make is that it is the Israelis, not the Americans who have ultimately to make peace with the Palestinians. Israel is indeed heavily dependent on US support, but the US Administration's willingness to "enter into a substantive dialogue" with the PLO by no means automatically entails willingness or ability to oblige Israel to do likewise. Still less does it entail US support for PLO demands or recognition of the "state of Palestine" which the Palestine National Council has proclaimed.

the "liberation" of the whole of Palestine.

But, as Mr Bassam Abu-Sheikh, a senior adviser to the PLO, has pointed out, the covenant which originally emanated from the PNC has been "superseded" by the decisions of that same body endorsing a two-state solution. To obtain those decisions, and to follow them up with the even more explicit statements on which the US insisted, Mr Yasir Arafat took great political and personal risks. To ask him now to reconvene the PNC and put to it a formal repudiation of the covenant would be neither realistic nor constructive.

Acceptable definitions

More seriously, President Reagan has said that the PLO "must demonstrate that its renunciation of terrorism is pervasive and permanent." It is not clear what "pervasive" means in this context, and "terrorism" itself has no generally accepted definition.

There are two problems here. One is that the Israelis, if not the US, will present any act of violence by Palestinians, including those in the occupied territories, as an act of terrorism: so Mr Arafat may be held to have perjured himself if he does not unilaterally call off the Palestinian uprising. The other is that extremist Palestinian forces outside Mr Arafat's control will almost certainly resort to terrorism with the express purpose of aborting his peace initiative. On past form they can be expected to aim at US targets, Jewish targets outside Israel, and Palestinians personally identified with Mr Arafat and the peace initiative.

Mr Arafat himself could easily be a target for such extremists and it is a sad thought that some Israelis would welcome that. But extremists on both sides should be aware that while a man can be killed an idea cannot. The idea that peace in the Middle East must be based on coexistence and mutual recognition between Palestinians and Israelis has now been proclaimed solemnly by the recognised leader of Palestinian nationalism, in the central forum of world politics. It is unlikely to go away.

Political conditions

Being ready to talk to someone does not mean that you agree with them. That would be obvious if the US, by imposing political conditions for a dialogue, had not made it appear that even the opening of one implies a convergence of views. It is precisely when views diverge that dialogue is most needed.

So the Palestinians and their friends should not expect too much too quickly. Equally, not too much should be expected of them. Already Mr Morris Abram, chairman of the Conference of Presidents of Major American Jewish Organisations, has suggested the first item in the dialogue should be the repudiation of the Palestine National Covenant, the founding document of the PLO, which pledged it to struggle for

Competition, but not yet

IN THE MATTER of telecommunications policy, the British Government's approach owes much to Saint Augustine. The latest confirmation is a report on fibre optics by a Whitehall committee, which has many fine things to say about competition - but then finds all sorts of reasons for not putting them into action just yet.

The report rightly rejects demands by telecommunications manufacturers for a state-funded optical fibre grid linking every home in the country. While recognising that optical fibres have much to commend them, the authors emphasise that many rival technologies exist to deliver entertainment and communications services. Uncertainties about the demand for such services and the future evolution of communications technologies could make a rigid national commitment to one type of delivery system a Concorde-style solution, which would stifle alternatives. The choice should not be imposed to suit suppliers but decided freely by users, as the report proposes.

It sensibly favours a light regulatory system designed to encourage diversity and keep entry barriers low. However, at this point it comes badly unstuck. Its preferred solution is a system of regional franchises for the one-way transmission of information and entertainment. Yet it would exclude British Telecom and Mercury, at least initially, while granting the right cable television franchises to offer two-way services.

These local monopolies and accompanying restrictions are justified on the grounds that they will foster the emergence of entrepreneurs. Presumably, Whitehall would judge when the infant industries were ready to face all comers. Such nanny tactics are advanced in the name of promoting competition: in fact they are government intervention in industry, they were called "picking winners."

There are good reasons for concern that BT, if allowed a completely free hand, could drive competition out of the market. However, it seems

extreme to bar it and Mercury altogether. Indeed, the current ban on the two companies' right to send entertainment through their telephone networks is flatly contradicted by the report's arguments against basing regulation on increasingly obsolete technological distinctions. There is more to be said for the Peacock Committee's suggestion that BT and other telecommunications networks should be allowed to play a common carrier role for TV and other services.

It should be possible to check anti-competitive abuses by BT, for example, requiring it to set up hands-off subsidiaries, preferably in partnership with other companies. The Government has already sanctioned such arrangements in mobile radio and cable television. However, the option is not even mentioned in the report - perhaps because Whitehall now recognises that, in practice, such arrangements have often proved ineffectual.

The explanation is simple. It is that the Government has deliberately allowed BT to rely on too much of its own monopoly power. One reason is that ministers wanted an easy privatisation in 1984. Another is their decision to restrict competition to a duopoly in an ill-conceived attempt to turn BT into an information technology "flagship" and groom Mercury as a second force.

To try to restrain BT and Mercury by cordoning off markets which are rapidly converging under the impact of new technologies will merely create distortions. The solution is to subject them to much more vigorous competition by abolishing the duopoly. Expressions of concern by government committees about the duopoly's market power only strengthen the argument.

The Government is due to review the duopoly in 1990. Before then, it should get its priorities straight and resolve to turn flowery rhetoric about competition into practical action. Otherwise, the UK telecommunications market will remain artificially constrained and the internal contradictions and contortions of regulatory policy will multiply further.

Andrew Gowers and Victor Mallet on the obstacles to peace still to be overcome in the Middle East

In America's tortuous dealings with the Middle East, two and a half weeks can seem an awfully long time.

Three Saturdays ago, Mr George Shultz, the US Secretary of State, outraged the Arab world and disturbed Washington's allies by refusing Mr Yasir Arafat, leader of the Palestine Liberation Organisation, a visa for his proposed visit to the United Nations General Assembly in New York on the grounds that he was an "accessory to terrorism."

Yesterday, even the Reagan Administration's fiercest critics were cheering it with praise following its decision on Wednesday to authorise the first official US contacts with the PLO. Many of the more habitually optimistic commentators hailed the move as a historic shift of US policy which might pave the way for a breakthrough in efforts to resolve the Arab-Israeli conflict.

If so, President Reagan's and Mr Shultz's explanations of the decision were remarkably low-key. At his Geneva news conference on Wednesday evening, Mr Arafat had earned the organisation's entry into a "substantive dialogue" with the Administration, they said, by meeting three key US conditions: explicitly recognising Israel's right to exist; accepting UN Security Council resolutions 242 and 338; and unequivocally renouncing terrorism.

Unspoken, but certainly implied, was the suggestion that the road towards negotiations remains littered with obstacles - not least the unyielding opposition of Israeli leaders to any dealings with the PLO and the anxiety that any eventual talks could swiftly run into the chasm between the Palestinians' minimum demands and the Israelis' maximum concessions.

Nevertheless, Mr Reagan's move is a tremendously important parting gift to a region which has provided his most conspicuous foreign policy failure. It means that when President-elect George Bush takes office in January, he may have a better opportunity for advancing the peace process than has existed at any time since the failed Geneva conference of 1977.

A US President in the first year of his first term is in a uniquely strong position to try new initiatives in the Middle East, relatively free of the imperatives of domestic politics. Thanks to Mr Shultz's unsuccessful mediation efforts in the region earlier this year, Mr Bush will not have to undergo the painful learning process that tied up many of his predecessors until it was too late. The outgoing Administration's decision to deal directly with the PLO has also absolved Mr Bush of the need to jump what is, in the US domestic context, one of the most sensitive political hurdles.

Moreover, it is not as if the US move occurred in a vacuum. It coincides with:

- Unprecedented support for Mr Arafat's more moderate line in the Palestinian ranks, consolidated by last month's Palestine National Council meeting in Algiers. Crucially, the still substantial number of dissenters within the PLO agreed to abide by the majority decision to make concessions, rather than walking out as on previous occasions.
- A growing consensus of Arab states behind the PLO moves. Egypt - now well and truly out of the Arab quarantine to which it was consigned after its 1979 peace treaty with Israel - has played a key role in helping Mr Arafat to articulate his organisation's new position and, more recently, in persuading the US to take it seriously. Iraq and Jordan are also on board, and there are even signs that rejectionist Syria might be induced at least into tacit acquiescence.
- Most important, the climate of

A long road ahead of rhetoric and compromise

détente, which has led to unprecedented co-operation between the superpowers this year in resolving other regional conflicts.

All these developments have certainly combined to bring about a gradual change in US perceptions of the Middle East conflict. Throughout the 1970s and 1980s, the main danger for Israel and for regional stability was seen in Washington as that of renewed war between states. It was this fear which prompted such active US involvement in mediation between Israel and Egypt leading to President Jimmy Carter's sponsorship of the 1978 Camp David accords.

In all previous efforts, the Palestinians themselves were allocated sec-

The route to negotiations remains littered with obstacles - not least the opposition of Israel to dealings with the PLO

ondary importance. The PLO, regarded by the Arab world as the Palestinians' sole legitimate representative, was barred from direct involvement in any US-sponsored peace process by Henry Kissinger's 1975 promise to Israel not to deal with the organisation until it met America's conditions.

Even this year, Mr Shultz's abortive shuttle diplomacy focused on the old idea of territorial compromise with Jordan, and the search for "moderate" alternatives to the PLO. The PLO, naturally enough, would not allow such alternatives to emerge. Washington's mediation has for years focussed on this failure to find what it would regard as "acceptable" and authentic Palestinian interlocutors.

The seeds for this week's policy shift have undoubtedly been sown by the year-old *intifada* in the West Bank and Gaza Strip, which has presented the conflict in an entirely new light - as something close to an internal threat to Israel. The uprising also finally buried the "Jordanian option" when King Hussein decided on July 31 to disengage from the West Bank.

From that point on, it was clear to many observers that US Middle East policy was in a cul de sac. By agreeing to talk publicly rather than in secret with the PLO, Mr Reagan has gone some way to setting it on a new and more promising track.

But as the Soviet Union was pointing out yesterday, embarking on a dialogue is quite different from find-

ing common ground or from launching meaningful negotiations within the framework of an international peace conference. The hurdles still to be overcome are nothing short of formidable. For one thing, the US and the PLO have quite different agendas, with Mr Shultz insisting that item one will be terrorism - however that is defined - and the Palestinians focusing on their central demand for self-determination.

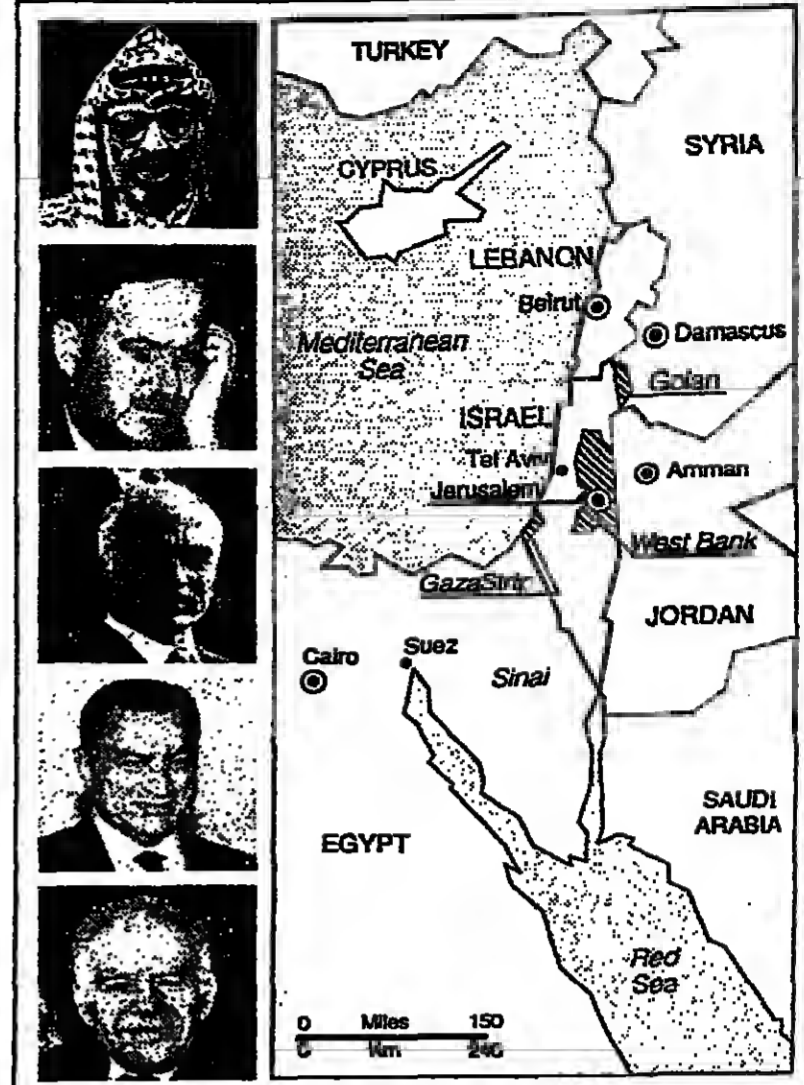
More importantly, Mr Yitzhak Shamir, Israel's caretaker Prime Minister, is adamantly opposed to an international conference. The idea of convening one with Israeli participation assumes a degree of prestige from Washington on its client which US Administrations since the 1960s have been most unwilling to exert.

Even assuming that a conference can be convened, it is bound to run swiftly into controversy about the shape and status of the Palestinian homeland sought by Mr Arafat in the West Bank and Gaza. And even if the Israelis can be persuaded to implement the principle of exchanging territory for peace - the country remains split down the middle on this point - the question remains as to how much of the land they seized in 1967 they will be prepared to give away.

UN Security Council Resolution 242, adopted in the aftermath of the war, is deliberately vague. The English language version calls on Israel to withdraw "from territories occupied in the recent conflict," and the omission of the definite article allows Israel to argue that it is not obliged to pull out from all the territory it captured.

But Mr Arafat has already exposed himself to the wrath of Palestinian radicals by abandoning most of historic Palestine to the Jews and the state of Israel. He is most unlikely to be able to sell to his 5m scattered people the idea of a mint-Palestine which does not encompass all the occupied territories. The PLO leader's powers of diplomacy will be tested to the utmost as he tries to hold the fractious organisation together in the arduous negotiations which lie ahead.

For many Israelis the idea of talking to Mr Arafat is unthinkable. Portrayed in Israel as a devout terrorist committed ultimately to the destruction of the Jewish state, he has yet to prove that he is a statesman. In a telling aside at his news conference in Geneva, he claimed - with characteristic hyperbole and lack of sympathy for Jewish history - that thousands of Palestinians arrested in the current uprising in the occupied territories endured concentration camps



The leaders who must be accommodated in any Middle East peace settlement (from top): Yasir Arafat, leader of the Palestine Liberation Organisation; President Hafez al-Assad of Syria; King Hussein of Jordan; President Hosni Mubarak of Egypt and Yitzhak Shamir, Prime Minister of Israel.

worse than those inflicted by the Nazis on European Jews.

In the event of negotiations, Israel is likely to insist on cast-iron guarantees of its security, including the demilitarisation of any Palestinian state.

Negotiators will find it particularly difficult to reverse the creeping annexation of the territories carried out by successive Israeli governments and Jewish settlers in the last 20 years. Researchers say the Israelis have already bought or seized, under a variety of pretexts, more than half the area of the West Bank.

Nearly 70,000 settlers have moved into the territories, and a similar number of Jews are living in and around what used to be the Arab sector of Jerusalem. They will be very hard to move.

Jerusalem, a holy city for the three great monotheistic religions - Judaism, Christianity and Islam - is the most emotive issue of all. Arab east Jerusalem was formally annexed by Israel after the 1967 war and Israelis regard Jerusalem as their capital. But Mr Arafat, with the backing of the Arab world, insists that the eastern half, at least, will be the capital of Palestine.

Then there is the question of Syria's attitude and the future of the strategic Golan Heights captured by Israel and also annexed. Syria is adamant that it will not give its assent to a peace settlement unless the Golan is returned.

In the early stages of the US talks

with the PLO, Israeli attention will probably focus on a much more immediate issue - the *intifada*. Israel may call the violence PLO terrorism, but the PLO regards it as legitimate resistance to occupation and will not call on the stone-throwers and petrol-bombers to stop until Israel makes a gesture towards Palestinian rights.

In the longer term, the degree of sovereignty to be enjoyed by any Palestinian homeland is itself a bone of contention. November's PNC meeting in Algiers did much more than agree to the concessions which paved the way to this week's US announcement. It also triumphantly declared a symbolic, independent Palestinian state, without borders or territory or government. This "Palestine" has been recognised by more than 70 countries, most of them in the Third World, but it has been dismissed as fiction by Israel and the US.

At least there is broad agreement that any future Palestine - which will be small, divided and economically dependent on its neighbours, even if a corridor is established linking the West Bank to Gaza - would form a confederation with the Kingdom of Jordan. But the world will have to hear a great deal more rhetoric, and all sides in the conflict will have to make many more agonising compromises, before Palestine can become a reality.

The current international climate may be favourable, but the Middle East conflict has long defied outside attempts to solve it.

Quiet man from LA

Norman Lee is the unofficial British ambassador to southern California. Indeed some people say that over the years he and his wife, Sadie, have done more than anyone else for Anglo-Californian relations. He is also an enormous philanthropist. "I've enjoyed the fun of giving money to things for a long time," he says.

Yesterday his charity was extended to Britain. The Princess of Wales opened the Norman and Sadie Lee Research Centre for Medical Research in London's Mill Hill. The aim is no less than to cure paraplegia, the previously irremediable condition caused by damage to the spinal cord.

Lee does not talk about money in specific numbers, though he obviously has a lot of it. Nor does his name appear in the conventional reference books, yet his history is more remarkable than most of those that do. He was wounded in the Second World War and went to live in California in 1952, largely for health reasons. He was an engineer who specialised in mini-refrigerators. The other reason that took him abroad, he says, was that it was hard to do business in a socialist Britain.

In the US he built up a profitable company and also started producing small refrigerators in Japan long before the Japanese hit the American market in force. By the late 1960s he was expanding into real estate, and in 1973 he sold his business, investing the proceeds in Californian property. That was when the charity began to take off in a big way.

Lee founded City of Hope, the British paediatric research centre in Los Angeles. By chance, he says, the Queen heard about it, happened to be coming to the neighbourhood and agreed to open it. The original idea was that it would be funded by the 350,000

OBSERVER

Brits living in southern California are not the only ones who find it difficult making a living, so he went on supporting it himself. The night bell plays Land of Hope and Glory.

There is also work in the arts. Without Lee the Royal Opera would never have visited California and possibly not the Royal Shakespeare Company either. There is now a Lee College, specialising in the liberal arts, outside Los Angeles. "I guide them financially," says Lee.

He has never taken American citizenship. Neither has Sadie who was born in Leeds, as was Geoffrey Raisman, the neurobiologist who will direct the new centre at Mill Hill. If the research, which is also backed by the Medical Research Council, achieves all it might, Lee believes that there could be a cure for Alzheimer's and Parkinson's diseases in his lifetime.

US diplomacy

The British Foreign Office does its best to deny it, but the Americans have some rather good reasons for being more so that Robert H. Pelltreau Jr, the US Ambassador to Tunisia.

Pelltreau has been assigned the task of opening talks with the Palestine Liberation Organisation. He was himself kidnapped in Amman during the Black September of 1970 by members of the radical Popular Front for the Liberation of Palestine, whose leader, George Habash, is no great friend of the PLO leader, Yasir Arafat.

Taken with other hostages to a press conference in a downtown hotel, Pelltreau took advantage of a momentary lapse in his captor's attention to edge in among the journalists and walk out of the



"I think you're right - it is fraying at the edges."

hotel to the US embassy. A fluent Arab and French speaker, he has served in all three North African countries, as well as Jordan, Syria and Yemen. For two years before his appointment to Tunisia, 15 months ago, he was Deputy Assistant Secretary of Defence for Middle East and South East Asia Affairs.

Other accomplished US diplomats dealing with North Africa will no doubt be involved in the talks. The Ambassador to Algeria, Christopher Ross, represents the US in a country which has played an important role in bringing the Palestinian factions together. Mary Ann Casey, who heads the North Africa section of the State Department, knows Tunisia well.

The Tunisians also emerge with credit. It was the former President of Tunisia, Habib Bourguiba, who, in a speech in Amman in September 1985, said that direct talks between Israelis and Palestinians and Arab recognition of the state

of Israel were essential prerequisites for a dialogue. He was pelted with eggs for his trouble and serious efforts to topple him were made by the late President Mubarak of Egypt.

As for Pelltreau, he could well become a roving ambassador in the Middle East in the Bush administration.

All Carrington

Lord Carrington is taking over the United States as well, or at least the American wing of Christ's International, a success of his chairmanship of Christ's International in London since his appointment in the summer that he is also succeeding the retiring Guy Hannan as chairman in New York.

Originally Christ's was looking for an American statesman in the Carrington mould, something on the lines of an intellectual George Shultz, who would be friend of the rich, the famous and the art-owning, and could push business Christ's way. But Carrington seems to fit the bill globally and these days Christ's is keen to emphasise its Englishness as against the American domination of its rival, Sotheby's.

Also joining the board is Daniel P. Davison, chairman of the US Trust Co. Not a big name in the UK, in New York he is prominent in both business and artistic circles and could be the designated successor when Carrington, now 68, decides that he has done his bit.

Preventive care

The National Federation of Foot Trimmers has reached an agreement to standardise its activities. In case you do not know what the NFFT is, it is the body that looks after cattle hooves. Less than half the 2.5m dairy cattle in the UK receive professional hoof attention. So the group is getting its act together before Edwina Currie interferes.

POLITICS TODAY: Joe Rogaly

Britain and the US have the worst pair of publicly financed school systems in the developed world.

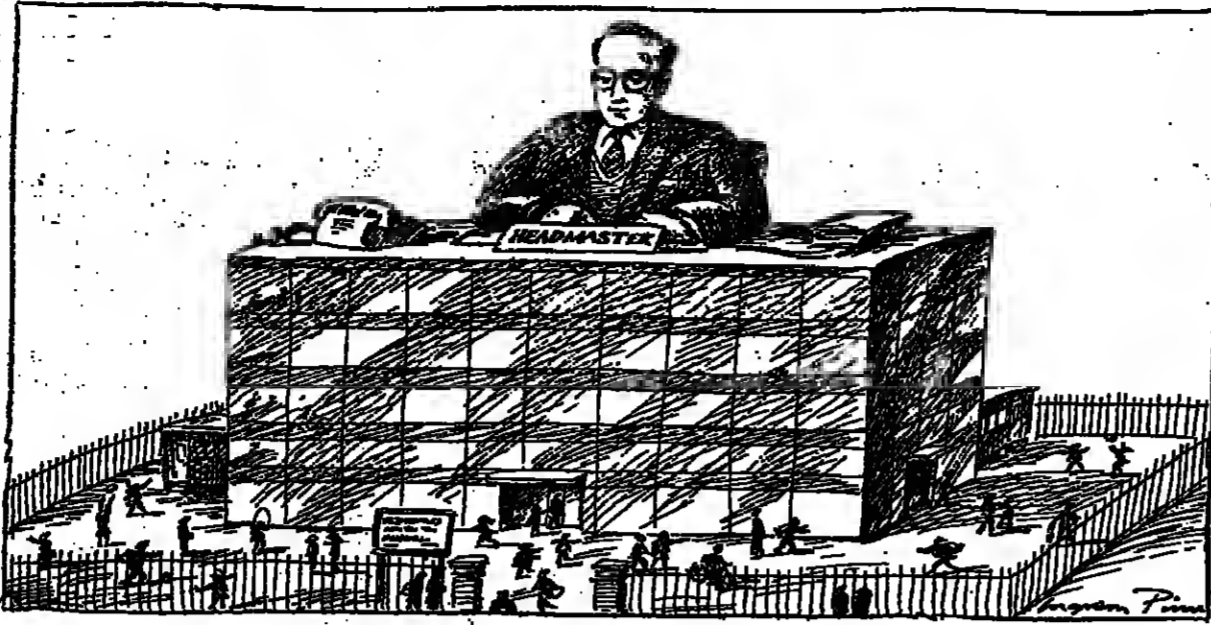
What is curious about that set of statements is that many in the Anglo-American education establishments would regard it as right wing.

But never mind the politics. Are the statements true? International comparisons of scores in mathematics and science show Britain and the US at or near the bottom of most league tables.

In Britain a horrifying example has come to light. Her Majesty's Inspector of Education (who are regarded as progressively inclined to a woman) have just reported a Highbury Quadrant primary school in the London borough of Islington.

What went wrong? The school was not properly managed and the Inner London Education Authority failed to do anything about it.

Backney, just across the border from Islington, is showing early promise. Its education committee commissioned a report from a consultancy called Focus. Most of those consulted



Doing better for the children

were from the black and ethnic minority majority. What they want is an environment of achievement in their schools.

The report is full of recommendations about anti-racism. The encouraging point is that achievement is clearly seen as the best anti-discrimination medicine there is.

Mr Barber should study a recently published pamphlet which, although from the (New Right) Manhattan Institute for Policy Research, need not be regarded as party political.

They made the schools smaller and marketed them - as sports schools, say, or acting schools. They allowed freedom of choice.

Scores in mathematics and science show Britain and the US at or near the bottom of most league tables

you've got freedom that you can't imagine, says Mr Fliegel, "but only if you take the opportunity."

What was done was to set a clear goal for the teaching team to follow. "In District Four we run the gamut in the vision department," Mr Fliegel says.

They work because in both institutions everyone knows where they are trying to get to. One result, he claims, is that some Westsiders are now going up to East Harlem to school.

Another contributor, Mr John Chubb of the Brookings Institution, reports the result of a study of 500 randomly selected US high schools.

Britain may be stumbling towards Mr Chubb's ideal - not because of the deep philosophical wisdom of the Government, but rather as a result of three pieces of political theatre.

One was a Parliamentary double act by Mr Norman Tebbit and Mr Michael Heseltine which persuaded a not-too-reluctant Government to bring forward the abolition of the ILEA.

Heseltine which persuaded a not-too-reluctant Government to bring forward the abolition of the ILEA. It is not only Hackney that is now relishing the chance to do better for the children of London.

The CTCs will have autonomy, and a vision, plus the direct involvement in their affairs of local businessmen. (For it is businesses that are being called upon to pay; the Treasury only finances ad libs when the Chancellor of the Exchequer makes them, as he did recently about more money for older pensioners.)

The third act of theatrical policy-making was the series of ad libs that passed between Mr Baker and the Prime Minister, Mrs Margaret Thatcher, during the June 1987 election campaign.

The outcome looks like a draw in the Prime Minister's favour. No primary schools have yet voted to opt out; most are too small to be viable.

That would still leave most primary schools and 80 per cent of secondary schools in local authority control. But all of these, save the smallest primary schools, will anyway become "locally managed," with stronger boards of governors and devolved budgets.

There is much subterranean muttering and mumbling about how these institutions will be next on the list. Only among the New Right, of course.

LOMBARD Pepping up Postman Pat

By Michael Prowse

SEVENTY or so years ago, Bertrand Russell could write to Lady Ottoline Morrell in the morning and expect a reply the same evening.

The long-term decline of the Post Office partly reflects the changing character of the communications market. If the telephone had never been invented and if electronic communication were still restricted to Dan Dare and Flash Gordon, the Royal Mail would be reaping large economies of scale and perhaps offering a better service.

But market evolution is not the whole story. The Post Office is also beset by chronically poor industrial relations. Stoppages and disputes at the local level are frequent. The management is unable to introduce sensible pay scales or working practices.

During the recent postal strike he remained mute in the face of vociferous calls for deregulation from the private courier companies. The caution is understandable - even if the political sensitivities attached to the Royal Mail are discounted.

Could Lord Young really invite free competition in letter delivery, but then impose a stiff tax on the entrants to compensate the nation for the nasty side-effects of their endeavours? Hardly. The net effect of the LSE report is likely to be reduced ministerial concern about the adverse effects of competition, coupled with greater willingness to sanction entry without strings.

down in favour of "controlled deregulation" - on the grounds that entry is more likely to raise consumers' welfare than to reduce it. The heart of the argument is that entry is likely to be profitable only where new competitors innovate, expand the market and offer services which are not close substitutes for those already provided by the Post Office. Nobody, for example, would be likely to succeed in establishing a duplicate national postal service. But the authors do concede that welfare could be lost as a result of "cream-skimming" - profitable attacks on particular segments of the Post Office's market (for example, business deliveries in city centres). The Royal Mail would be tempted to respond to such competition by abandoning its uniform tariff - in other words, charging more for deliveries to high-cost rural areas. But such a reaction would not be in the interests of consumers because it would raise administrative costs and reduce the overall efficiency of the service.

What to do? The LSE answer is to allow such competition provided the new entrants pay a levy (say 5p a letter) to the Post Office to compensate for cream-skimming losses and reduced economies of scale. Thus, if the Post Office loses business, it would be compensated financially.

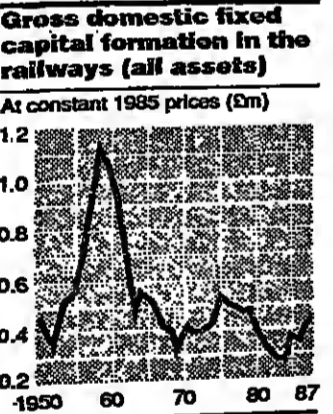
This may appear a neat theoretical solution. The competition would provide a spur to Post Office managers and workers, but it would not harm them or the public. The trouble is that it does not look very attractive politically.

Postman Pat will have to run harder, but only to stand still in terms of value for money. Should the Post Office's Statutory Monopoly be Lifted? (LSE, Houghton St, London WC2)

LETTERS

Investment in the railways

From Mr John Wells. Sir, The Secretary for State for Transport's claim that investment in the railways is at an "all-time high" is simply



not correct - except in current price terms, which is not of any interest. The graph contains a plot of Gross Domestic Fixed Capital Formation in the railways (all fixed assets) at 1985 constant prices for the period 1950-1987 (data for 1985-1987 at current prices, deflated by the implicit GDFCF deflator for Transport, both series from Central Statistical Office, Blue Book, linked to data for 1950-1984, to be found in BR, Corporate Plan, 1983-1988, Figure 5).

Pour half back

From the Rev C.G. Stables. Sir, Even the ministers responsible have admitted that capital expenditure in the near future - not just for sewage works, but to replace worn-out drains and service pipes.

It is so easy to abuse statistics that Ministers, who enjoy such privileged access to the mass media, have a special responsibility for ensuring that they get their facts right. John Wells, Faculty of Economics, University of Cambridge

Goodwill should be retained

From Mr Fabian Finlay. Sir, I hope that the decision by TI Group to retain goodwill in its balance sheet will be favoured by the accounting profession over the decision by Ranks Hovis McDougall (RHM) to revalue brands.

The balance sheet should not be used by management as an attempt to place a value on the company, but as a record of the assets and liabilities of the company. As such, in conjunction with other financial information the balance sheet enables investors, creditors and others to make their own judgments on the value or credit-worthiness of a group of companies. By the inclusion and retention of goodwill, additional information is made available to such users of accounts -

'Brand' names beyond price

From Mr Osman Streater. Sir, Sitting outside the City of London's Square Mile, and wearing a marketing hat rather than an accountancy one, it is strange to read the correspondence in the Financial Times about the value to be placed on brand names and names of companies.

Does the City not realise how profitable it has been in throwing away many of its own priceless names? It deserves to be haunted by the ghosts of, inter alia, L. Messel, Simon & Coates, Laurie Millbank and (this week especially) Pender & Boyle. Why should the energetic Kemp-Gee die when the aristocratic Springsour lives? Was da Costa not worth the small cost of preservation? Is nobody grieving the loss of Grant? Is

Wedd really the only part of the great jobbing houses' names worth keeping on as the "W" in BZW, when (even that of house) many would say the greater initial was the "D" of Deutscher? Had Achroyd & Smithers no value as a name? Or Bisgood Bishop? Or (again, especially this week) Pinchin Denny? Nor has it stopped, it is interesting to see a Swiss company buy Rowntree because it appreciated the immense value of its brand names. But who would bet on how long it will be before another Swiss company throws away the splendid name of Phillips & Drew - and replaces it with the almost meaningless initials UBS? Osman Streater, Young Hemslay, 67-68 Long Acre, WC2

Brand valuation in US accounting practice

From Mr William J. Kornitzer. Sir, We have been following with great interest the uproar which started when Ranks Hovis McDougall (RHM) placed the "values" of its internally developed brands on its balance sheet. As valuation consultants, we have been valuing brands, as well as other intangible assets, for over 25 years. It is common practice for firms in the US to place

their balance sheets. The values of these intangible assets are fair market values, allowing companies to give shareholders a better understanding of what was actually acquired, and for how much. It is somewhat surprising that UK companies have been first to put internally developed brands on their balance sheets. Maybe this has been done to strengthen reserves and repair gearing ratios, but

it also helps shareholders to have a better understanding of a company's "true worth". This practice of placing internally developed intangible assets on the balance sheet is not currently allowed in the US. What is more surprising than the placing of these brands on the balance sheet is the method used in RHM's valuation. There have been accepted methodologies devised for the valuation of

brand names, and by RHM's own admission the value derived is not a "fair market value". We applaud firms in the UK for taking the initiative and allowing their balance sheets to give a more precise picture of reality, but we should like to see different methodologies applied to these valuations. William J. Kornitzer, American Appraisal (UK), 49 Whitehall, SW1

Advertisement for Minolta Movie C-50E. Title: FOCUS ON THE DIFFERENCE. Text: Ordinary camcorders will autofocus on the Mother-in-Law. Minolta's selective autofocus, keeps all eyes on the happy couple. And with the advanced dual-area autoexposure system, combining both spot and average metering, together with computer controlled white balance - the C-50E gives perfectly exposed colour shots too - when ordinary camcorders can let you down. Another world first - Interchangeable autofocus lenses. The Minolta Movie C-50E has a powerful 6x zoom lens as standard. As optional extras, there's the flexibility of four interchangeable bayonet mount lenses. These will give an amazing 24x zoom across the range, that'll take in all the family, to the smile on the bride's face. And what's more, which ever lens is used, you still have the benefits of perfect autofocus. The C-50E has many more features, too many to list here, so go round to your Minolta Dealer and he'll give you the full picture. You'll see the difference. Perfect pictures as close as you want. Unlike other camcorders, the C-50E lets you get as close as you like to your subject (the surface of this paper for example) and still get perfectly focused pictures. Minolta Movie C-50E. Comes complete and ready to shoot, in a professional carrying case, around £1,199. Interchangeable lenses from £59.99 to £99.99. MINOLTA

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FINANCIAL TIMES COMPANIES & MARKETS

Friday December 16 1988

HOPEPE SPAIN'S SHERRY GONZALEZ BYASS

INSIDE

Any colour Renault as long as it's black

Renault is expected to return to profits this year. But the recovery process of France's state-controlled car maker is by no means over yet.

Finnish investors get serious

The climb made in volume traded on the Finnish stock market in the first half of the year has ended.

Export delays ground Westland

Westland's pre-tax profits for 1987-1988 were hit by long-running delays in a big export contract.

Stakis gears up for expansion

Stakis, the British hotels, leisure, property and healthcare group, yesterday reported a 26 per cent increase in full year pre-tax profits and Mr Andros Stakis, managing director, said the group was now geared up for expansion in every division.

Analysts pay the price for all those missing barrels

Hundreds of millions of barrels of oil have gone missing in the world, leaving market analysts with real problems when they try to make accurate forecasts of price trends.

Market Statistics table with columns for Base lending rates, Benchmark Govt bonds, European options each, FT-A indices, FT-A world indices, FT int bond service, Financial futures, Foreign exchanges, London recent issues.

Companies in this section table listing various companies like ABN, Aerolineas Argentina, Arthur Lee & Sons, Assoc Paper Inds, Authority Invs, Brodaro Properties, British Building, British Petroleum, Builder Group, CH Industrials, CRA, Citicorp, Collins (William), Dwyer, Elders DL, Electra Inv Trust, FAI Insurances, Finlay Packaging, Firth (GM), GEC, Hanson, JMD Group, London Merchant Secs, Microsec Group, National Semicond.

Chief price changes yesterday table with columns for Frankfurt (DM), Paris (FFP), London (Pence), and New York prices at 12.30.

London (Pence) table listing various companies like British, Blyth Ship, Bradstock Sp, Century Oil, Daylight, Electric LT, Enbridge Oil, Incape, Landmark, Lee (Arthur), Local Inv, Local London, LASMO.

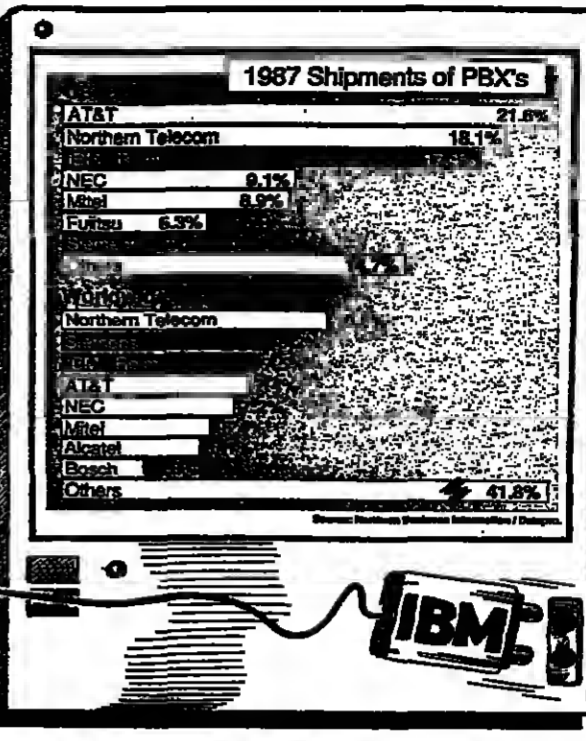
Crossed lines bring IBM a wrong number

Following its deal with Siemens, Roderick Oram looks at Big Blue's problems in the telecoms market

THE WORLD according to Big Blue was supposed to look a lot different by now. Back in the mid-1980s International Business Machines believed rapidly changing technologies would melt the computer and telecommunications equipment businesses.



John Akers, chairman of IBM: Overall restructuring is bearing fruit ahead of the competition



homeymoon for such an odd couple. One was a sizzling 15-year-old California enterprise whose staff often dipped in the company pool at lunch time.

ham Easterbrook, of Kidder Peabody. He has tightened the group's focus on its core computer business by disposing of fringe activities; restructured its bureaucracy to make it more responsive to market and technology developments and to cut costs; and introduced successful new models to make the product range fresher and more coherent.

Aggressive Siemens sees safety in economies of scale

By Hugo Dixon. SIEMENS' deal with IBM is the latest step in an increasingly aggressive strategy by the large West German electronics group to build up its worldwide telecommunications business.

position in the North American market after AT&T of the US and Northern Telecom of Canada. North America is important not only for its size, but also because its telecommunications systems are the most technologically advanced in the world.

Rolsm would become the continent's second largest supplier. The GPT deal, on the other hand, would strengthen Siemens' position in the public exchange market, where the non-indigenous suppliers are in a bitter fight to see which can establish itself as the third supplier after AT&T and Northern.

CBS pays \$1bn to get back in the US television ball game

By James Buchanan in New York. CBS, the US broadcasting group, will spend over \$1bn for exclusive rights to show the best of major-league US baseball in a risky and ambitious move to reverse its declining market share.

competitors - and upstart cable. Baseball audiences have been declining since the turn of the 1960s and NBC says it will lose money in the last year of its contract.

IF YOU'RE A CASH RICH COMPANY, THIS IS THE LAST ADVICE YOU'LL NEED.

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Midland Montagu Treasury Sales 10 LOWER THAMES STREET, LONDON, EC3R 6AE. 01-260 9000.

Managers move for Ryan buy-out

By Nikki Tall in London. RYAN International, the British coal-mining and coal recovery group, hauled back from impending receivership by Mr Crispian Hobson and fellow investors three years ago, yesterday announced surprise plans to move into the private sector via a \$88.6m management buy-out.

Yesterday, Ryan shares rose from 104p to 135p. The bid, at 140p a share in cash with a loan note alternative, is being made by Digger, a newly-formed company, and is recommended by the independent directors of Ryan.

INTERNATIONAL COMPANIES AND FINANCE

National Semi hit by market slowdown

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the California-based semiconductor and computer manufacturer, yesterday reported losses of \$25.2m (£13.8m) for its fiscal second quarter, caused by a significant slowdown in the US semiconductor market.

Sales for the quarter were \$705.3m compared to \$640m for the same period last year when the company reported net earnings of \$11.6m, or 8 cents per share.

For the first half of the current year, sales were \$1.35bn, with a net loss of \$55.7m, or 58 cents per share. Sales in the first half of the previous year were \$1.15bn with net earnings of \$25.1m, or 19 cents per share.

"Losses in semiconductor operations were offset by strong sales by National Advanced Systems, the mainframe computer subsidiary," said Mr Charles E. Sporcik, president and chief executive.

Datachecker, National's supermarket check-out computer systems operation, showed improved strength in the quarter, the company said.

Earlier this week, National announced plans to sell Data-

checker to Britain's ICL for \$30m, plus \$36m in royalty payments over a three-year period.

While the semiconductor market slowdown has created serious concerns throughout the US semiconductor industry that the highly cyclical market may be heading into a severe slump, National said that bookings and sales began to improve toward the end of the second quarter.

● In contrast with National's losses, Micron Technology of Idaho, a manufacturer of semiconductor memory chips, reported a spectacular 232 per cent rise in income for its first quarter ended December 1.

Micron's Dynamic Random Access Memory (DRAM) chips are in short supply worldwide, and prices have soared over the past year. The company recently announced a supply agreement with Amstrad of the UK.

Revenues for the quarter were \$110.4m, while net income was \$32.2m or 88 cents per share. For the same period last year Micron reported revenues of \$43.2m, net income of \$3.4m, and earnings per share of 33 cents.

ZZZZ man defrauded investors

By Roderick Oram in New York

MR BARRY MINKOW, a former teenage entrepreneur who claimed monsters and loan sharks ruined his carpet cleaning business, has been found guilty by a Los Angeles court on 57 charges of securities fraud and money laundering.

Starting the ZZZZ Best company in his parents' garage six years ago at the age of 16, Mr Minkow expanded it rapidly to the point of a splashy stock market flotation. He lived well on the proceeds in a \$1m house, driving a Ferrari and appearing on chat shows.

His financial schemes began to unravel several years ago, leading to bankruptcy 15 months ago. It was one of the largest securities fraud in a decade on the West Coast, the authorities said when they charged Mr Minkow.

"He sold investors on a business that for the most part did not exist," Mr James Asperger, the prosecutor, told the jury. During the trial Mr Minkow said he had misled investors by falsely claiming the company had millions of dollars of building refurbishing contracts.

The jury found he had defrauded investors of at least \$25m. He is due to be sentenced in February when he faces a maximum fine of \$13.5m and up to 403 years in prison.

SCA in SKr2bn spending plan

By Robert Taylor

SCA, one of Sweden's leading forestry groups, is to start production of LWC paper - for magazines and pamphlets - with an investment programme of just under SKr2bn (\$331m).

The company said the new product represented an important step in SCA's strategy that new investment should provide "the foundation for the development of a complete product line of wood-containing grades of printing paper."

It is estimated that annual capacity for the production of LWC paper will be 165,000 tons when it begins at the turn of 1990-1991.

Michael Donne in London and Robert Taylor in Stockholm on the SAS/ABH deal
Jet set takes off after landing a firm foothold for the future

THE PURCHASE by Scandinavian Airlines System (SAS) of a 24.9 per cent stake in the Airlines of Britain Holdings group (ABH), which includes British Midland Airways, is expected to bring significant benefits to both partners.

The \$25m (\$45m) deal will give SAS a significant foothold in the UK air transport industry, which it originally sought with its abortive attempt to buy a shareholding in British Caledonian Airways last winter, and extend the current SAS strategic objective of developing major overseas interests which have already been achieved in the US, South-East Asia and are planned for Japan.

For ABH, which in addition to British Midland includes Manx Airlines, Loganair and London City Airways, it will provide a major financial and operating link with one of the world's top airlines, at a time when the need in the air transport industry is for smaller airlines to strengthen themselves in preparation for what is called the coming era of the megacARRIER.

Mr Jan Carlzon, president and chief executive of SAS, said in London yesterday that once the legal formalities of the deal had been settled the two airlines would sit down to work out a long-term co-operative plan that would enable each to take advantage of the other's experience in its own home market, and to exploit their joint opportunities in other world markets.

It was stressed that the



Mr Carlzon, left, and Mr Bishop at the press conference

investment is strictly a trade one on the part of SAS: it does not - at least at this stage - pre-empt a bid by SAS for a bigger holding in ABH.

Indeed, the latter would probably be impossible under UK civil aviation regulations, which require that airlines registered in Britain remain majority British owned. The Civil Aviation Authority has approved the SAS stake in ABH on that basis.

Mr Carlzon said the transaction was "an interesting and important step for both companies in their quest to create a joint and more comprehensive market base in Europe. It also provides the foundation for a strong co-operation on a worldwide basis later on."

"The SAS/ABH venture will provide both companies with essentially the same strategic advantages as contemplated

when SAS, a year ago, made a bid to preserve British Caledonian as a strong second force in the UK market," Mr Carlzon said.

"In addition we will benefit from the ABH Group's strategic locations at London Heathrow and at the new London City Airport and at Manchester and Glasgow, which are also important points on the SAS network."

Mr Michael Bishop, chairman of ABH, who will remain in control of that operation, with a personal 64.8 per cent of the enlarged share capital of the group, said the link with SAS would ensure for both airlines growth opportunities "which could not otherwise have been secured."

"The new capital which SAS brings to the ABH group will enable us to further develop the competition which we have

so effectively established on UK domestic routes, and increasingly to Europe, bringing higher standards of passenger service and lower fares to these routes."

ABH has won a number of additional take-off slots at Heathrow, and early in the New Year will be announcing a series of new short-haul international services between Heathrow and Continental cities, in competition with BA.

Mr Bishop stressed that ABH would continue to compete vigorously with other operators. "I am convinced that a strong airline industry investor (such as SAS) will enable the ABH group to compete more effectively and on equal terms with other major carriers."

"These benefits of scale and synergies 'will ensure we can match similar advantages enjoyed by our principal competitors,'" Mr Bishop declared.

From the SAS point of view, the deal is the latest example of the Scandinavian airline's aggressive buying strategy in its often frantic attempts to become one of the major European carriers in international civil aviation in the 1990s, capable of meeting the formidable challenge of the big Asian and US megacARRIERS.

SAS's overall strategy is to create a "critical mass" of traffic volume by seeking global alliances with other airlines, thereby building a stronger market base in Europe and efficient connections overseas in co-operation with local airlines with reputations for top quality of service. This explains the attempted link-up with Aeroli-

neas Argentinas, currently bogged down by Argentinian political infighting (see below).

For the past few years SAS, very aware of its small home market in the Nordic area of only 18m potential customers, has been pursuing a twin-track strategy. It would like to collaborate with one major European carrier to expand the hub of its international activities.

At the same time it has been seeking links with domestic feeder airlines across the world for its intercontinental traffic. "These deals must be seen in the wider context of the big strategic objective of a link to another European airline company," says Mr Brian Knox, Nordic analyst at Kleinwort, Greaveson.

Until now SAS has enjoyed more success with its second aim than its first, though even this has run into trouble in an industry where the politics of economic nationalism can still have a major influence on business decision-making. In 1986 SAS had talks with a number of airlines in joint co-operation, notably Austrian Airlines, Finnair and Sabena, but these came to nothing.

However, SAS has reached agreements in recent years with a number of domestic feeder airlines.

Given SAS' strategic objectives, the deal with ABH is not likely to be the only link between SAS and other European airlines. Mr Carlzon indicated that the SAS options remaining wide open and additional links with Continental carriers could not be ruled out.

Travelers' withdrawal in California to be blocked

By Louise Kehoe

CALIFORNIA'S Insurance Commissioner will block Travelers Group, the big US insurance and financial services concern, from withdrawing from the automobile and property insurance market in the state.

The Commission's action follows Travelers' issue of notices to as many as 70,000 California policy holders that it will not renew their insurance.

Travelers' action stems from the passage of Proposition 103, the controversial "insurance revolt" ballot initiative, last month.

Full implementation of Proposition 103, which includes a 20 per cent cut in property and casualty insurance premiums, has been held up by the State Supreme Court. The Court has agreed to hear suits filed by

the insurance industry which challenge the constitutionality of the ballot measure.

Following an Insurance Commission hearing on Wednesday, however, Commissioner Roxani Gillespie announced plans to issue a "cease and desist" order against Travelers. The move is seen as the precursor to months of conflict between insurance reform supporters and the industry over the implementation of 103.

Also closely involved in the fight is the state administration who is charged with implementing the new law, but who is politically opposed to it. "Travelers said it would comply with the order but would 'reserve the right to cancel' policies, pending the Supreme Court decision."

SCA in SKr2bn spending plan

By Robert Taylor

SCA, one of Sweden's leading forestry groups, is to start production of LWC paper - for magazines and pamphlets - with an investment programme of just under SKr2bn (\$331m).

The company said the new product represented an important step in SCA's strategy that new investment should provide "the foundation for the development of a complete product line of wood-containing grades of printing paper."

It is estimated that annual capacity for the production of LWC paper will be 165,000 tons when it begins at the turn of 1990-1991.

Peronists force collapse of Argentine airline stake

MR RODOLFO TERRAGNO, Argentina's Minister of Public Works, has announced that a 10-month-old project to sell 40 per cent of Aerolineas Argentinas, the state airline, to Scandinavian Airlines Systems, has collapsed, writes Gary Mead in Buenos Aires.

Failure of the deal, which was the flagship in the government's attempt to semi-privatise loss-making nationalised industries, is a considerable blow both to Mr Terragno and President Alfonsín's administration.

The final stumbling block came from a united and vociferous

Peronist opposition in the Senate, Congress's upper house. Under Argentine law any proposed sale of nationally-owned assets must be approved by Congress.

Legislation to sell part of Aerolineas to SAS went to the Senate at the beginning of November. SAS made it clear at the time that it considered December 15 the deadline for Senate approval, after which it would exercise its right to withdraw.

It had been evident for some time that Peronist and other senators from smaller parties would oppose the deal, on the

grounds of alleged illegality and lack of transparency.

Peronist politicians have frequently stated they do not oppose privatisation deals as such, only the manner in which the government has made them.

Under the terms of the deal, which were first made known on August 11 this year, SAS were to take a 40 per cent stake for \$204m (£112m), valuing Aerolineas at \$510m.

However, an immediate furor broke out when the then president of Aerolineas, Mr Horacio Domingorena,

denounced the arrangement, claiming that SAS would actually pay between \$135-160m.

Mr Domingorena was quickly replaced and Mr Terragno denied the allegation.

However, Mr Domingorena's figures have since been officially confirmed by both SAS and the Argentine government, which agreed to set aside \$110m from the original valuation, discounting Aerolineas debts incurred by leasing arrangements on two jumbo jets.

Mr Terragno will now withdraw the SAS-Aerolineas bill

from Congress, and instead has said he will now "very rapidly" put forward legislation calling for international bids, in which he hopes SAS will be a leading contender.

Mr John Herbert, a strategic planning executive of SAS, said that SAS prefers Mr Terragno's decision to pull the bill, rather than see it pass by a small margin.

In the context of a presidential election due next May, which opinion polls so far give to the Peronists by a wide margin, SAS wants a more settled political environment before going further.

NEW ISSUE

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15th December, 1988

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Warrants

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Issue Price 100 per cent.

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Oversea-Chinese Banking Corporation Limited

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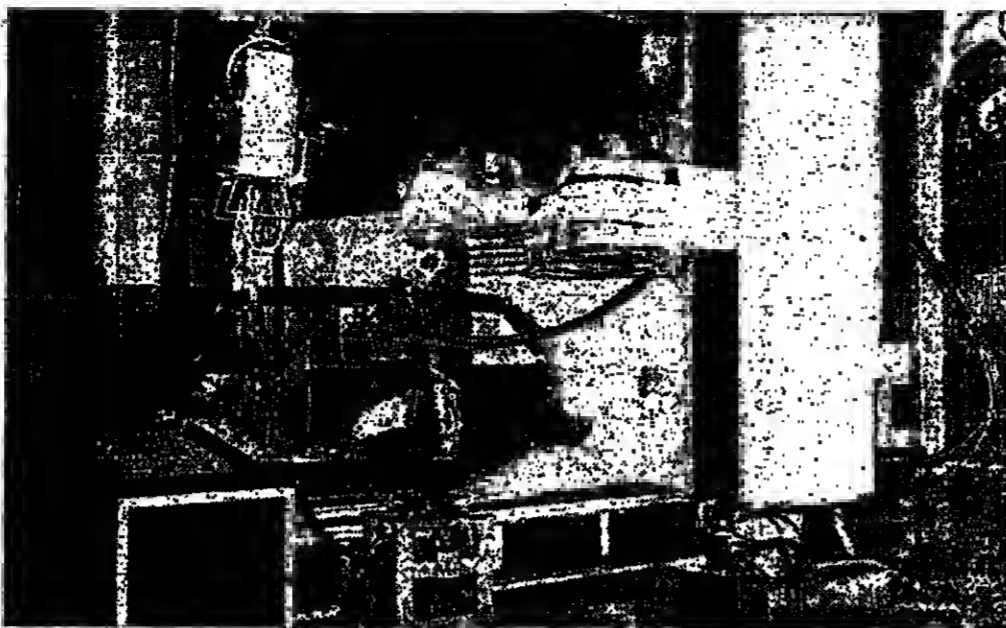
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INTERNATIONAL COMPANIES AND FINANCE

Renault takes the Japanese road

Paul Betts on how the French car group is reshaping for profits

Years of heavy losses may soon be over for Renault, the French state-owned car company. A restructuring programme, which began four years ago, is expected to pay its first dividend this year with the company on course for net profits of about FF10bn (\$1bn).



Japanese "just-in-time" and zero stock systems have helped Renault move towards the black. At the Flins plant, Renault believes productivity can continue to increase at 7% a year

Tight Japanese production methods have helped the company to trim its workforce and improve efficiency at its largest industrial plant, Flins, 25 miles north of Paris. But the recovery process is by no means over.

Not only is Renault still awaiting a long-promised FF12bn debt write-off from its sole shareholder, the French government, to help recapitalise its balance sheet, but it has still not completed the restructuring of its core French car manufacturing operations.

Of these Flins and Billancourt, the company's two large plants in the Paris area, pose the biggest industrial headaches.

The problems, however, are very different. While the future of Flins looks fairly secure, Billancourt is ultimately doomed. This plant, Renault's oldest, has become an industrial anachronism. Located on an island in the Seine in the densely urban Paris suburb of Boulogne-Billancourt, the factory is also built on several storeys and could not be further from the modern Japanese model of highly concentrated and automated assembly on one floor.

The Billancourt plant, which at its peak employed nearly 20,000 people, today employs only 4,500 workers on its assembly operations to make about 500 cars a day. Billancourt does not lose money thanks to considerable efforts to improve productivity and rationalise, as far as possible, its traditional manufacturing operations. But it can never hope to compete with more modern European car assembly plants.

Shutting down Billancourt overnight would provoke a major political and social storm in France. For years, the plant has been a major bastion of the pro-Communist CGT union and its closure would

represent a watershed in the history of the French automobile industry. But the day must come when Renault will close Billancourt.

For the time being, the company is content simply to manage the gradual but inevitable winding down of the historic Billancourt plant.

Flins, however, still remains a central element of Renault's domestic car manufacturing operation producing 1,600 cars a day - about a third of the group's French car output. Although Flins produces the bulk of Renault's RS supermini production, Mr Michel Auroy, the plant's manager, acknowledges that the group is already asking itself hard questions about the huge 35-year-old plant.

"The problem is how to make Flins more competitive and productive, for this will ultimately answer the question whether Flins will continue to exist in ten years time," he explained.

"Many people at Flins think that Renault will never be able to do without this plant because of its size. For them size is reassuring. But the real issue is not size, but how we can improve our performance

to guarantee the future of this plant."

Size is a handicap, not a bonus. The plant sits in about 700 acres which is excessive by any standards for a modern car plant.

"If we were to rebuild this plant from scratch to produce the same number of cars as we do today, we would only need to reconstruct about two thirds of the existing area devoted to assembly operations," Mr Auroy said.

"Size will always remain a penalty for the plant making it 2 to 3 per cent more expensive to operate than a brand new facility. For this reason we have to double efforts to improve productivity."

During the last two years, Renault has invested in automating and modernising Flins' stamping and sheet metal workshops as well as the plant's paintshop.

But Renault has also had to be very selective in its investment policies because of the group's financial straits. The company's car range and reducing debt are bigger spending priorities.

This has meant that the group has not spent as much as it would have liked on other

parts of its operations, even though its financial improvement should now enable it to adopt a more generous investment strategy.

At its peak, in the 1970s, Flins employed about 18,000 people for a daily output of about 1,500 cars. By the beginning of this year, the workforce was already down to 11,900 people. By the beginning of next year, it will have declined by another 10 per cent to about 10,800 people.

"The big difference is that in the past we were reducing both the workforce and production. Now the workforce is coming down but production is staying put," said Mr Auroy. The workforce at Flins is expected to be reduced further in the next few years with the target of producing the current level of 1,600 cars a day with only about 8,500 people.

Renault has adopted Japanese "just in time" and zero stock systems to improve productivity. But the recent strike at the company's Le Mans axle manufacturing plant illustrated the difficulties of adapting Japanese concepts in France.

The strike forced Renault to

shut down production at Flins for four days because the plant ran out of axle components. But worker and union mentalities are changing in France and even at Renault, says Mr Auroy.

In the past, Renault was regarded as a state sector social laboratory. But with its financial crisis and its sweeping restructuring started under the late Mr Georges Besse and continued by Mr Raymond Levy, the group's chairman, Renault is now increasingly regarded by its own troops as a normal company facing the same constraints and competitive pressures as other big industrial groups.

To increase worker awareness of the challenges facing the company, Renault decided to abandon its former policy of maintaining 10 to 20 days of stocks in reserve as protection against a strike. "If you keep reserve stocks you are in a way admitting that you will always face strikes," Mr Auroy explained.

At the same time, the introduction of comprehensive Japanese-style zero stock policies has increasingly forced the Renault unions to face up to their responsibilities, the car group's management believes.

Long-term, Mr Auroy thinks that Flins could improve productivity even more by introducing round-the-clock production organised in three eight-hour shifts instead of the current system of two eight-hour shifts. A three shift system would enable Flins to increase daily output to up to 2,100 cars.

Mr Auroy believes that productivity can continue to improve at Flins by about 7 per cent a year during the next three years. The fact that Flins was not hit by any serious internal labour disputes this year despite the 10 per cent cut in the plant's workforce suggests that a major evolution is now taking place in labour relations inside the state car group.

Significantly, the principal source of industrial conflict at Flins this year has not been over redundancies but over pay. "The unions are starting to become aware that the Japanese are coming and that this is a question of life and death," remarked Mr Auroy.

Rodney Adler succeeds father as FAI head

By Our Financial Staff

FAI INSURANCES, the Australian insurer and investment company, has named 29-year-old Mr Rodney Adler as its new chief executive. He succeeds his father Mr Larry Adler who died on Tuesday.

Mr John Landerer, an adviser to FAI, has been appointed acting chairman after the directors said Mr Rodney Adler had declined the dual role. Mr Landerer is a director of TNT, the leading transport company.

The FAI board said it would appoint a non-executive chairman in due course. Mr Bruce Corlett was named deputy chairman.

Indonesian oil company doubles gross profits

By John Murray Brown in Jakarta

PERTAMINA, Indonesia's state oil company, has reported gross profits of Rp1,540bn (\$313m) for the year to March, more than double the 1987 result and the company's best year since it almost bankrupted the country with accumulated debts of \$10bn in 1975.

Mr Faisal Abdoo, Pertamina's president since August, attributed the increase to better crude prices on world markets. But with oil prices now falling, profits this year would probably decline, he said.

Pertamina, which like other Indonesian companies does not make public its full accounts, earns most of its estimated

JAPANESE TRADING HOUSES

Consolidated results (Ybn), half-year to September

| | Sales | | Pre-tax profit | | Net profit | |
|-------------|-------|-------|----------------|-------|------------|-------|
| | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 |
| C. Itoh | 8,008 | 7,763 | 26.25 | 22.12 | 14.29 | 11.02 |
| Mitsui | 7,988 | 7,514 | 44.67 | 38.77 | 15.50 | 7.90 |
| Sunboro | 7,214 | 6,912 | 28.45 | 27.19 | 15.10 | 13.28 |
| Mitsubishi | 7,107 | 6,377 | 35.82 | 28.70 | 21.05 | 18.05 |
| Marubeni | 6,848 | 6,864 | 28.78 | 21.08 | 15.06 | 8.85 |
| Nishio Iwai | 5,544 | 4,673 | 13.85 | 9.88 | 7.19 | 4.10 |

* Quarterly profit

Domestic demand buoys Japan's general traders

By Our Financial Staff

JAPAN'S leading general traders all achieved an increase in worldwide profits for the first half to September as strong domestic demand enabled them to offset poorer returns on their oil trading activities.

C.Itoh, which has risen to the top spot in recent years, pushed consolidated net profits up 23.7 per cent on sales which, breaching the Y8,000bn (\$63.2bn) mark, showed only 2.5 per cent growth.

Officials there said local sales of construction machinery, textiles and foodstuffs, excluding both export and import deals, assisted a rise in domestic revenue of 11.1 per cent to Y4,886bn.

Imports of textiles and foodstuffs were also strong but third-country transactions were down 18.6 per cent to Y1,346bn. C.Itoh expects group net profit to reach Y28bn in the full year to March, up from an earlier forecast of Y27bn and against Y25.38bn in 1987-88.

Revenues at Mitsubishi Corporation overtook those of Marubeni, which suffered declines in its import and export operations. Marubeni expects full-year

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U.S.\$800,000,000 1 1/4 per cent. Bonds 1992

Notice is hereby given, pursuant to Clauses 3 and 4 of the Instrument relating to the Warrants dated 22nd July, 1987. On 12th December, 1988, the Board of Directors of Toyota Motor Corporation resolved to make a free distribution of its shares of common stock to its shareholders of record at 12.00 hours (Japan time) on Saturday, 31st December, 1988, at the rate of 0.05 shares for each one share held.

Accordingly, the subscription price of the Warrants will be adjusted as follows:

- Subscription price before such adjustment: ¥2,009 per share of common stock.
- Subscription price after such adjustment: ¥1,913.30 per share of common stock.
- Effective date: 1st January, 1989 (Japan time).

TOYOTA MOTOR CORPORATION
By: The Sanwa Bank, Limited
as Principal Paying Agent

Dated: 16th December, 1988

NOTICE OF REDEMPTION

THE TAIYO KOBE BANK, LTD.

U.S. \$25,000,000
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NOTICE IS HEREBY GIVEN that, in accordance with Clause 3 of the above Certificate, the issuer will exercise the option to prepay the issue on 20th January 1989.

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The Floating Rate Note Interest Amount payable on January 17, 1989 is U.S. \$6.60 per U.S. \$1,000.

Residence Trust
Company, London Agent Bank
16th December, 1988

U.S. \$300,000,000

Crédit Lyonnais

Floating Rate Notes Due 1996
Tranche of U.S. \$200,000,000

Interest Rate: 9 1/8% per annum

Interest Period: 16th December 1988
16th June 1989

Interest Amount per U.S. \$10,000 Note due 16th June 1989: U.S. \$489.76

Credit Suisse First Boston Limited
Reference Agent

Notice to Holders of TOAGOSHI CHEMICAL INDUSTRY CO., LTD. (the "Company") Warrants to Subscribe for Shares of Common Stock of the Company, issued in conjunction with the issue of US\$100,000,000 4 1/4% Guaranteed Bonds Due 1993

You are hereby notified that, as a result of a free distribution of shares of common stock of Toagoshi Chemical Industry Co., Ltd. to the shareholders of record as at 31st December, 1988, Japan time, at the rate of 0.05 shares for each share held, the Subscription Price of the Captions Warrants will be adjusted pursuant to Condition 7 of the Warrants under the instrument dated 20th July, 1988 from Yen 822.00 to Yen 822.10 per share, effective as from 1st January, 1989, Japan time. The date of issue of the shares to be issued upon such free distribution is 17th February, 1989.

Shuichiro Fukunaga
Director and General Manager
Finance Dept.,
Toagoshi Chemical Industry Co., Ltd.
14-1 Nishi-Shinjyuku 1-chome
Mitsuda-Ku, Tokyo, Japan

By Mitsui Finance Trust International
Limited as Principal Paying Agent.
2nd December, 1988

£135,000,000

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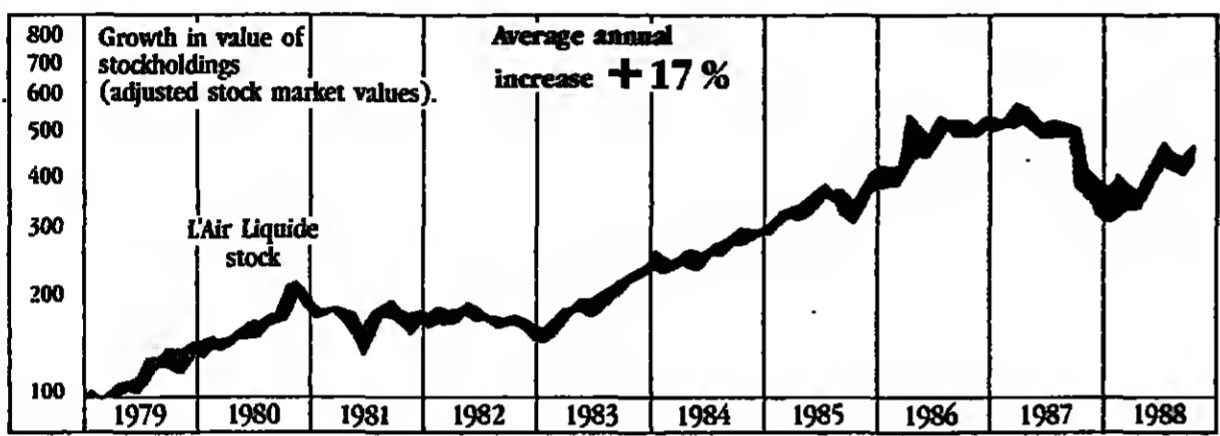
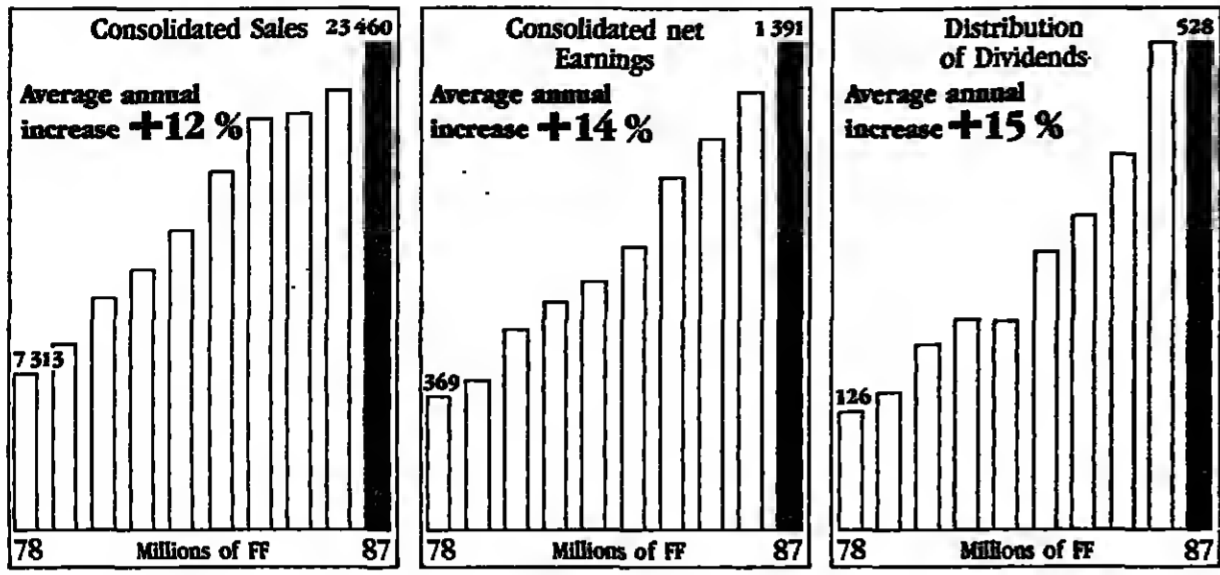
Interest Period: 14th December 1988
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Interest Amount due 14th March 1989 per £10,000.00 Note: £329.79

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NEW ISSUE This announcement appears as a matter of record only. December, 1988



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U.S.\$100,000,000

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with Warrants

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INTERNATIONAL CAPITAL MARKETS

Primary trade at virtual halt ahead of holiday

By Dominique Jackson

ACTIVITY IN the Eurobond market continued at a bare minimum yesterday as the primary market virtually ground to a halt ahead in the subdued pre-Christmas business with most syndicate officials and several traders either recovering from or anticipating a traditional round of seasonal get-togethers.

Although the most active sector was reportedly Eurosterling which has attracted steady attention over the last few weeks, attention yesterday was focussed on West Germany where the Bundesbank as widely expected, brought the Lombard emergency funding rate up to 5 1/2 per cent from 5 per cent. Monetary authorities in the Netherlands, Belgium and France had already raised some key interest rates ahead of the anticipated German move.

Consequently the move to raise the Lombard rate was widely expected and led to a move or less in the Euro market prices. The market opened basically unchanged but with a discernibly better undertone which was later translated into an average rise of around 20 basis points in selected issues after the Bundesbank announcement and the clarification of its latest money supply targets.

A new issue did emerge late in the day for the European

Brazil eases stance on blocked bank funds

By John Barham in Sao Paulo

THE CENTRAL BANK OF Brazil has introduced new rules that could affect close to \$2bn worth of business in 1989.

Under the September foreign debt restructuring, foreign banks will be allowed to relend to local borrowers of their choice in local currency, a minimum of \$1.6bn of their deposits worth of business. The bank said it was unhappy with the re-lending programme's inflationary impact on the money supply. Inflation is now accelerating by close to 30 per cent a month.

It added that some of the funds might be used to transfer capital abroad via the currency black market.

Bankers are still unsure how much the changes will affect re-lending. A European banker based in Sao Paulo said: "This surprised the market. It looks like re-lending less attractive, because it increases the cost of funds to the borrower."

A Sao Paulo merchant banker said: "Re-lending enables companies to exchange old dollar-denominated debt for new debt at a far better rate of exchange."

Re-lending provides companies with a cheap, long-term source of local currency finance. Banks sell their blocked central bank deposits - these constitute maturing foreign currency loans - to companies for the same 60 per cent discount available on the debt-to-equity conversion market.

While most companies are likely to use the funds to expand their business in Brazil, a fair amount of the money will be remitted abroad via the black market.

The currency black market has been extremely active this year, quoting rates close to 90 per cent over the official exchange rate. Demand for dollars has been very heavy because speculators used them to buy discounted debt and collect the debt in Brazil for a quick 40 per cent profit.

Further pressure on the black market will encourage export to under-invoicing, already said to be running at record levels. Under-invoicing of exports is a principal source of black market dollars and reduces Brazil's hard currency.

NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount (\$) | Coupon (%) | Price | Maturity | Price | Book runner |
|--------------------|-------------|------------|---------|----------|---------|---------------------------|
| D-MARKS | | | | | | |
| ECSC | 100 | 5 1/2 | 100 3/8 | 1994 | 1 3/4 | WestLB |
| FINNISH MARKKA | | | | | | |
| World Bank | 300 | 9 1/4 | 101 | 1994 | 1 1/2 | Kansallis Bank of Finland |
| YEN | | | | | | |
| Lavoro Bank O'ases | 5bn | 0 | 84.75 | 1988 | 1 1/2 | Mitsui Trust Int. |
| Den Danske Bank | 4bn | | 100.10 | 1994 | 20/10bp | LTCB Int. |
| US DOLLARS | | | | | | |
| Venezuela(b)1 | 165 | 1 1/4 | 100 | 2003 | 1 1/4 | Chase Investment Bank |
| Venezuela(b)2 | 167 | 1 1/2 | 100 | 2003 | 1 1/4 | Chase Investment Bank |
| Venezuela(b)3 | 167 | 1 1/2 | 100 | 2003 | 1 1/4 | Chase Investment Bank |

Final terms: a) Linked to 5-year yen swap rate. b) 1 1/4 over 6-month Libor. 1 1/4 total fees. Floating rate notes.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Day | Week | Yield |
|--------------------------|--------|---------|---------|-------|--------|-------|
| Abbay National 7 1/2 92 | 200 | 97 1/2 | 97 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| Am. Exp. 7 1/2 92 | 150 | 92 1/2 | 92 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| A.S. 7 1/2 92 | 150 | 92 1/2 | 92 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| Bell Tel. Fin. 7 1/2 92 | 200 | 97 1/2 | 97 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| Canada 9 1/2 92 | 1000 | 97 1/2 | 97 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| Canada Pac. 10 1/4 93 | 100 | 101 1/2 | 102 1/2 | 0 1/4 | -0 1/4 | 10.14 |
| Gen. Elec. 7 1/2 92 | 200 | 97 1/2 | 97 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| G.N.C.A. 9 1/2 93 | 150 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 9.52 |
| Credit Lyonnais 9 1/2 92 | 200 | 98 1/2 | 98 1/2 | 0 1/4 | -0 1/4 | 9.52 |
| Forest Group 9 1/2 92 | 200 | 98 1/2 | 98 1/2 | 0 1/4 | -0 1/4 | 9.52 |
| Credit National 7 1/2 92 | 100 | 93 1/2 | 93 1/2 | 0 1/4 | -0 1/4 | 9.56 |
| Credit National 7 1/2 91 | 150 | 93 1/2 | 94 1/2 | 0 1/4 | -0 1/4 | 9.59 |
| Dai-ichi Kang. 7 1/2 92 | 150 | 92 1/2 | 92 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| Demmark 7 1/2 92 | 300 | 92 1/2 | 92 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| E.E.C. 7 1/2 92 | 100 | 92 1/2 | 92 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| E.C. 7 1/2 92 | 100 | 92 1/2 | 92 1/2 | 0 1/4 | -0 1/4 | 9.22 |
| E.E.C. 8 1/2 92 | 350 | 97 1/2 | 97 1/2 | 0 1/4 | -0 1/4 | 9.25 |
| E.L.B. 7 1/2 92 | 100 | 91 1/2 | 92 1/2 | 0 1/4 | -0 1/4 | 9.25 |
| Gen. Elec. 7 1/2 92 | 200 | 98 1/2 | 98 1/2 | 0 1/4 | -0 1/4 | 9.67 |
| Gen. Elec. 7 1/2 92 | 200 | 98 1/2 | 98 1/2 | 0 1/4 | -0 1/4 | 9.67 |
| Gen. Elec. 7 1/2 92 | 200 | 98 1/2 | 98 1/2 | 0 1/4 | -0 1/4 | 9.67 |
| Gen. Elec. 7 1/2 92 | 200 | 98 1/2 | 98 1/2 | 0 1/4 | -0 1/4 | 9.67 |
| Gen. Elec. 7 1/2 92 | 200 | 98 1/2 | 98 1/2 | 0 1/4 | -0 1/4 | 9.67 |

OTHER STRAIGHTS

| Issued | Bid | Offer | Day | Week | Yield | |
|---------------------------|-----|--------|--------|-------|--------|-------|
| Abbay Nat. 8.5 10 93 | 100 | 97 1/2 | 97 1/2 | 0 1/4 | -0 1/4 | 11.05 |
| Ab. St. Ind. 5 1/2 92 Fl. | 150 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 5.99 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |
| Alco. 8.5 92 | 200 | 98 1/2 | 99 1/2 | 0 1/4 | -0 1/4 | 8.64 |

FLYING RATE

| Contract | Rate | Day | Week | Yield |
|-----------------|-------|-------|-------|-------|
| Alcoa 8.5 92 US | 98.67 | 98.67 | 98.67 | 11.09 |
| Alcoa 8.5 92 US | 98.67 | 98.67 | 98.67 | 11.09 |
| Alcoa 8.5 92 US | 98.67 | 98.67 | 98.67 | 11.09 |
| Alcoa 8.5 92 US | 98.67 | 98.67 | 98.67 | 11.09 |
| Alcoa 8.5 92 US | 98.67 | 98.67 | 98.67 | 11.09 |

* Only one market maker supplied a price

Convertible Bonds: Denominated in dollars unless otherwise indicated. Cdn. day - Close on day. Cdn. bid - First date of conversion into shares. Cdn. price - Nominal amount of bond per share expressed as percentage of share at conversion rate from US dollar. Prev - Previous premium of the current-effective price of acquiring shares via the bond over the most recent price of the shares.

Scringour to reduce roles of Japanese unit

CITICORP Scringour Vickers, the London-based securities operation of the US bank, is to shed the equity research and institutional sales roles of its Japan unit, AP-DJ reports from Tokyo.

The firm's institutional sales team working with non-Japanese clients will be disbanded. Research analysts following individual Japanese companies "will no longer be needed in that capacity," an official said.

Economics research, in which Citicorp Vickers was highly regarded in Tokyo, would also be discontinued.

The change would not result in lay-offs. The unit would focus instead on providing "financial engineering" services where it believes it has a competitive advantage. These include options and hedging techniques for Japanese investors.

The moves reflect a continuing restructuring by Citicorp Scringour Vickers operations.

Oslo curbs on foreign capital to be reduced

By Karen Fosell in Oslo

A PROPOSAL to ease restrictions on foreign ownership in industrial companies, as means to bring in fresh capital which has been difficult to raise in Norway's lacklustre stock market, received its first reading in the lower house of Parliament yesterday. It is expected to become law from January.

The proposal, put forward in mid-September by the Ministry of Industry, allows foreign ownership of voting shares to increase from 20 to 33.3 per cent. It also permits a rise in the size of a single foreign voting share stake from 10 to 20 per cent and mixed Norwegian and foreign board members, providing the chairman and the majority of members are Norwegian.

Although the approval came as no surprise, it was welcomed by Norway's ailing industrial companies which have found it difficult to obtain fresh capital to boost equity to debt ratios.

INTERNATIONAL CAPITAL MARKETS

Rate fears dent US Treasuries

By Janet Bush in New York and Dominique Jackson and Katharine Campbell in London

US TREASURY bonds came under pressure yesterday, on concern that the US will move to raise the discount rate in reaction to interest rate rises overseas.

At midsession, bonds were quoted as much as 1/4 point lower at the long end of the yield curve. The Treasury's long bond slipped 1/4 point for a yield of 9.07 per cent, which compared with the yield on the 8.875 per cent 1990 short-term issue of 8.17 per cent.

News yesterday that the Bundesbank had decided to raise its Lombard rate to 5.5 per cent from 5.0 per cent had been widely anticipated, which limited losses in the Treasury market.

The dollar dropped sharply in an initial response to the German rate rise but then rebounded strongly on speculation that the US would match this with a rise in the discount rate.

The bond market was yesterday closely watching the behaviour of the Fed funds rate to see whether any policy changes had been decided on at this week's Federal Open Market Committee meeting.

Funds opened at a firm 8 1/2 per cent, but it is too soon to tell whether this is the result of the Fed squeezing funds or whether banks were simply anticipating firmer money.

However, some analysts saw the lack of interest in the money market yesterday despite the firmness of the

funds rate as a sign that the central bank may already have initiated a tightening move. Fed funds edged up to 8 1/2 per cent at midsession.

IN WEST Germany, the government bond market opened quietly and cautiously ahead of the Bundesbank council meeting. Most bond prices were

fixed rate of 5 per cent. The last such fixed rate volume tender was in early October at the markedly lower level of 4 1/2 per cent. These announcements appeared to encourage sentiment and bond prices firmed by a further 15 to 25 basis points.

UK GOVERNMENT bonds were cheered by the announcement yesterday morning of a slight fall in average earnings, and a downward revision in current account quarterly figures, but for once the main preoccupation of the market was not a domestic one.

When West Germany's Lombard rate was raised in line with expectations, traders breathed a sigh of relief that the Bundesbank's stance had not been more aggressive, and the gilt market surged ahead, as sterling strengthened roughly two pence on a weak point of DM3.177. Gilt ended almost a full point ahead on the day, boosted by rumours in the afternoon that a big Japanese buyer was in the market.

THE DANISH bond market rallied strongly yesterday afternoon, after a temporary weakness earlier. As soon as the anticipated Lombard rate rise was out of the way, traders saw this as a signal to continue pushing prices upwards.

The benchmark 9 per cent 2006 mortgage bond began the day at 97.00, and after dropping a half point, surged on to 97.70,

to yield 9.7 per cent. Lack of supply and strong domestic demand both at home and offshore have ensured that Danish bonds have outperformed the German market in the last three months.

THE FRENCH central bank took the market by surprise when it chose Wednesday evening to announce a rise in key rates. Traders were particularly surprised that the five to 10 day repurchase rate had been upped a full 1/2 point to 8.5 per cent. Prices opened in France down 50 points in the shorter end, only 40 points lower at the longer end, after a similar markdown in Tokyo. But domestic buyers took the drop as a signal to buy in at those levels, and the benchmark bond closed 5 points up on the day.

WHILE EMS central banks were raising rates around Europe this week, the Spanish central bank was not to be left out, although it had its own reasons. On Tuesday the authorities raised the key overnight rate at which it provides assistance to the money markets a full point to 12.4 per cent.

Short term rates had been rising, and the move was thus generally expected. Inflation has been running ahead of government expectations, but traders in the government bond market were generally optimistic that no further central bank tightening was on the cards.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Red Date, Price, Change, Yield, Week ago, Month ago. Rows include UK GILTS, US TREASURY, JAPAN, GERMANY, FRANCE, CANADA, NETHERLANDS, AUSTRALIA.

Linfin Corporation U.S. \$100,000,000 Collateralized Floating Rate Notes due 2001. Text describing the offering and interest rate details.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of Equity Groups & Sub-sections for Thursday December 15 1988. Columns include Index No., Day's Change, etc.

FIXED INTEREST

Table of Fixed Interest rates and yields. Columns include Price, Yield, etc.

LONDON MARKET STATISTICS

Table of Rises and Falls Yesterday. Columns include British Funds, Indices, etc.

LONDON RECENT ISSUES

Table of London Recent Issues. Columns include Issue, Amount, etc.

FIXED INTEREST STOCKS

Table of Fixed Interest Stocks. Columns include Issue, Amount, etc.

RIGHTS OFFERS

Table of Rights Offers. Columns include Issue, Amount, etc.

TRADITIONAL OPTIONS

Table of Traditional Options. Columns include Issue, Amount, etc.

BSN GROUPE FF 1.704.384.000 Emission d'obligations à bons de souscription d'action avec faculté de rachat des bons. Placement à titre prioritaire auprès des actionnaires de FF 1.064.384.000.

40-pointing index 1749.5, 10 pm 1756.4, 11 pm 1757.7, Noon 1761.4, 1 pm 1764.3, 2 pm 1762.5, 3 pm 1762.5, 4 pm 1761.3, 4.05 pm 1761.3

December 15 Total Contracts 32,542 Calls 19,012 Puts 13,530 FT-SE Index Calls 1650 Puts 6622 Underlying security price

UK COMPANY NEWS

Westland take-off aborted again

By Clare Pearson

LONG-RUNNING delays in a big export contract again hit Westland, helicopter company. In the year to September 30, pre-tax profits came out at £17.4m against £18.4m in 1987.

Over the last few weeks, however, deliveries of Sea King helicopters to the customer - India, although this never has officially been announced - have finally commenced. The contract dates from before Westland's reconstruction which sparked a UK political crisis three years ago.

Sir John Cuckney, chairman, said he was pleased that the year had seen a sharp improvement in the order book as well as the appearance in October of GKN, engineering group, as a significant shareholder.

GKN bought a 22.02 per cent stake and said it would eventually like to gain a controlling interest. It acquired shares from Hanson, UK industrial group, and Fiat, the Italian engineering concern which acquired 7.97 per cent as part

of Westland's controversial rescue in 1985.

Additional losses of £25m on the Sea King contract, against £30m in the previous year, were provided for within a net £13.2m (£16m) exceptional item.

Adverse effects of the delays were reflected in turnover of £358.1 (£381.6m) and interest charges steeply up at £7.8m (£1.2m).

Sir John said resolution of the problem would result in a progressive reduction over 1989 of Westland's relatively high inventory and borrowing levels although profit margins would be diluted as a result of these non-profit earning deliveries.

Orders received during the year totalled £413.1m, up from £182.9m. Included was an order for 12 helicopters from South Korea, which Sir John Treacher, joint deputy chairman, said was an important breakthrough for the future.

Longer-term prospects were also boosted during the period

by Britain's arms sale agreement in July with Saudi Arabia.

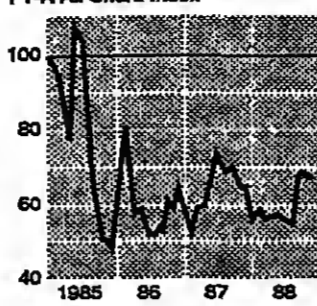
Before interest, profits rose to £38.4m (£35.6m). Earnings per share, after exceptionals, came out at 6.5p (4.5p). The recommended final dividend is 2.25p, making an unchanged 3.5p for the year.

COMMENT

The numbers in these results are almost irrelevant compared with the really important thing that happened to Westland during the year, which was that GKN stepped in. This allayed fears that United Technologies of the US, which partnered Fiat in the dramatic rescue battle for the company, would increase its stake. It also gave Westland a thoroughly British minority shareholder, committed to its development, and one which might indeed eventually absorb it. As well as securing its ownership secured, Westland saw an improvement in its order book which has eased concerns about the

Westland

Share price relative to the FT-A All-Share Index



exceedingly lean few years it faces until it begins to see a return on its new EH101 naval helicopter. This year's pre-tax profits are likely to be about £5m worse than last time, with earnings per share helped by the absence of a big exceptional charge. The prospective p/e is about 11, but the main thing is that disaster has been averted.

Water pension fund holds stakes

By Andrew Hill

THE WATER Authorities Superannuation Fund has taken small stakes in the UK's private water sector through a nominee company.

It is thought that the fund, which provides pension benefits to water authority employees, is the beneficial owner of stakes held by Bank of Scotland Nominees in at least four water companies.

The High Court is due to rule next Wednesday on the legality of stake-building in the companies by individual authorities. The result of the judicial review - initiated by the Water Companies Association, which represents the UK's 28 quoted water companies - is unlikely to affect the WASF holdings.

On Monday, Mid-Kent Water Company revealed that Bank of Scotland Nominees had acquired 13.6 per cent of one class of its voting stock - equivalent to about 7 per cent of the total voting capital. The nominee company has also recently increased its stake in Bristol Waterworks Company to 5.4 per cent, and holds about 3 per cent of Sunderland & South Shields, and 1 per cent of South Staffordshire.

WASF said yesterday that the whole water issue was now so sensitive that it preferred not to comment. Primary responsibility for managing the fund's assets is delegated to a committee which includes chairmen of the 10 water authorities and special advisers.

The 10 authorities have become increasingly frustrated watching large investors, notably France's three biggest water suppliers, increase their stakes in UK water companies. Two public authorities - Northumbrian and Southern - have also bought shares, despite the legal question mark over the action.

SAUR Water Services, a subsidiary of Bouygues, French construction and service company, has bought 11 per cent of Wrexham and East Denbighshire Water Company, bringing to 17 the number of statutory water companies in which French water suppliers have large holdings.

Plessey asks court to await European Commission ruling

By Raymond Hughes, Law Courts Correspondent

The High Court was asked yesterday to "hold the ring" while the European Commission decides whether the joint venture bid by the General Electric Company and Siemens of West Germany for the Plessey electronics group is permissible under European law.

Plessey, which is asking the court for a temporary injunction stopping the hostile £1.7bn bid going ahead, argued that it was the result of an "unlawful marriage" between GEC and Siemens and would breach Article 85(1) of the Treaty of Rome by distorting competition within the European Community.

GEC and Siemens are fighting the grant of an injunction, arguing that it would probably destroy the bid.

Their counsel, Mr Jonathan Sumption, QC, said that the proposals were not "a sinister conspiracy to destroy a competing business" but "a serious attempt to create an association of independent companies on a European and not simply at national level."

The Commission announced on Wednesday that it was launching an investigation into Plessey's complaint that the bid broke Community competition rules. The court was told that Plessey intends asking the Commission for "interim measures" to prevent the offer proceeding pending the Commission's decision.

It is believed to be the first time an attempt has been made to use EC competition law to thwart a takeover bid.

Mr Christopher Bathurst, QC, for Plessey, told Mr Justice Morris: "The essence of the matter is the restraint of an unlawful combination. It is not a question of seeking to enforce the policy of regulation contained in the Takeover Code."

"We are not asking the court to decide finally on matters

which are appropriate to be decided by the Commission. What we are saying is, hold the ring while these matters are decided - whereas GEC and Siemens are asking you to assume, either that Article 85(1) does not apply, or that they will obtain from the Commission exemption under Article 85(3)."

Mr Bathurst said that 85(1) regulated unlawful agreements which might "affect trade between member states" and the object or effect of which was to prevent, restrict or distort competition within the common market.

Article 85(2) said that such agreements should be automatically void.

Article 85(3) stated that 85(1) might be declared inapplicable if certain conditions were fulfilled. One condition was if the agreement contributed to the improvement of the production or distribution of goods or to the promotion of technical or economic progress, and which did not "impose on the undertakings concerned restrictions which are not indispensable to the achievement" of those aims.

Mr Bathurst said it was not enough to show that an agreement would to some extent contribute to those aims, unless it could be shown that the restrictions it imposed were the minimum indispensable to the achievement of the aims.

"We say we have a good arguable case that the agreement between GEC and Siemens falls within 85(1) in two respects: because it is an agreement jointly to seek to acquire Plessey shares, with an express obligation not to bid individually for them; and as to the way in which the joint venture company and Plessey will be operated following a takeover."

Mr Bathurst said that the joint venture agreement was

also a plain breach of an undertaking given by GEC to the Trade and Industry Secretary in June last year not to acquire more than 15 per cent of Plessey. It was therefore unlawful conduct giving Plessey a right of legal action under English law also.

He said that by going ahead with their offer before getting clearance GEC and Siemens had "dug themselves into this hole" and could not ask the court to attach weight to the ill consequences of their illegal conduct.

He denied that they would be significantly prejudiced by an injunction which, if the Commission decided that the bid should go ahead, would be void.

Whereas, he argued, if no injunction were granted and the bid went ahead and was successful "Plessey will be irreparably harmed by an unlawful act."

Mr Sumption said that Plessey was attempting to deprive its shareholders of the right to choose whether to accept the GEC-Siemens offer.

He said that the bid was a natural response to the enormously costly and growing burden of research and development which had meant that the only companies able to compete in the market were those that were financially strong and able to trade on an international scale.

Mr Sumption described as "strange" Plessey's suggestion that its takeover by GEC-Siemens would distort competition.

"The customers of these companies are not weak and huddleable consumers. They are large public utilities, governments and major companies. We are talking about armaments, radar, traffic control systems and things of that sort."

The hearing continues today.

LMS slips to £7.23m at half-time

LONDON MERCHANT Securities, a subsidiary of Westpool Investment Trust, reported a slight decrease in interim taxable profits from £7.23m to £7.02m. However, the company expects to achieve good results for the year.

After tax of £2.18m (£2.35m) earnings per share were 2.49p (2.33p) and the interim dividend has been maintained at 0.5p. The profits were earned on net rental income of £9.53m (£9.8m), plus trading activities of £2.42m (£2.1m).

Lord Rayne, chairman, said the increase in rental income had been achieved despite the loss of income during the development of a property in Park Lane, London. Property trading profits were lower, but sales agreed after the end of the period would enhance the contribution for the year.

He added that the profits of First Leisure, in which a 28.45 per cent stake is held, continued to prosper. Profits of Carless, in which LMS has 27.19 per cent, were unchanged.

FACTORING

The Financial Times proposes to publish a Survey on the above on

27th January 1989

For a full editorial synopsis and advertisement details, please contact:

Tim Davis

on 01-248-8000 ext 4181

or write to him at:

Bracken House, 10 Cannon Street
London EC4P 4BY.

FINANCIAL TIMES
EUROPE'S BUSINESS AND MARKETS



ENGLISH CHINA CLAYS P.L.C.

From Strength to Strength

ECC GROUP

The Chairman reported pre-tax profits up 30%, earnings per share up 26% and a recommended dividend per share up 21%. He said "The Group is strong, it is soundly managed and well served by its people the world over. On all the present evidence we are embarked on another year of progress in a buoyant mood to seize every opportunity for improving the quality of our business - for our customers, our shareholders, our employees and the communities in which we operate."

| ECC GROUP | 12 Months to 30 September | | | | |
|--------------------|---------------------------|---------|---------|---------|---------|
| | 1988 £M | 1987 £M | 1986 £M | 1985 £M | 1984 £M |
| Sales | 936.9 | 762.5 | 688.6 | 713.9 | 604.2 |
| Pre-tax profit | 145.4 | 112.1 | 90.4 | 74.6 | 64.2 |
| Profit after tax | 94.2 | 72.1 | 58.1 | 46.7 | 37.0 |
| Dividend per share | 17.50p | 14.50p | 12.50p | 11.00p | 9.60p |
| Earnings per share | 43.82p | 34.88p | 28.44p | 25.97p | 22.13p |

INDUSTRIAL MINERALS - AGGREGATES - CONCRETE PRODUCTS - HOME BUILDERS



English China Clays P.L.C. NASDAQ: ECLAY in the U.S.A., for a summary of ECLAYS 1988 annual results and a profile of the company's business contact the company's U.S. investor relations representatives, Broadgate Consultants, Inc., 40 East 52nd Street, New York, NY 10022. (212) 836-5907.

The contents of this statement have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Peter Marwick McLintock who are authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business. Past performance is not necessarily an indication of future performance.

This announcement appears as a matter of record only.

Eurocamp

EUROCAMP LTD
MANAGEMENT BUY-OUT

£31.8m

Arranged by:

BARCLAYS DEVELOPMENT
CAPITAL LIMITED

£14.7m equity finance underwritten by:

Barclays Development Capital

Barclays de Zoete Wedd Buy-Out Trust

£15m mezzanine loan provided by:

Barclays de Zoete Wedd Limited

3i plc

Barclays Bank PLC provided working capital finance.



BARCLAYS de ZOETE WEDD

December, 1988

UK COMPANY NEWS

Assoc Paper restrained to 10% profits growth

By Ray Bashford

A SHARP fall in returns from one of Associated Paper Industries' three principal operating areas restrained growth in pre-tax profits to 10.2 per cent during the year to October 1, compared with the previous 53 weeks.

During a year in which Mr Charles Rawlinson, the chairman, said the company encountered a "number of challenges", pre-tax profits were £7.6m (26.8m) while turnover eased to £87.4m (98.3m).

The note of caution sounded by API was echoed by City analysts. However, there is agreement that the conservative approach to growth which has left the company at the quality end of its markets will insulate it from the worst of any economic difficulties.

RTZ to give assets sold by BP to CRA

By Kenneth Gooding, Mining Correspondent

CRA, Australian mining group, is widely expected to become the ultimate owner of any Australian mineral assets sold by British Petroleum to the RTZ Corporation, UK natural resources group.

Mr Docking described the potential transfer of assets as "fundamentally positive to 'very positive' for CRA but in the short term its share price might suffer from the uncertainties associated with the way CRA might fund the deal.

Most of RTZ's interests in the sector are via its 49 per cent shareholding in CRA which in turn has stakes in Bougainville Copper, Hammerley, the iron ore concern, Comalco aluminium and Pasminco, the lead-zinc company.

RTZ and BP announced they were in discussions about the deal, thought to be worth more than \$3.5bn (£1.91bn), on Wednesday. Australian analysts expect that, if the deal goes through, RTZ will transfer its 49 shareholding in the giant Olympic Dam copper-gold-uranium mine in South Australia to CRA along with its 60 per cent stake in the Lihir Island gold project in Papua New Guinea.

Mr Keith Docking, director of research with Rivkin and Co, Australian stockbroker, suggested yesterday that the transfer price for these assets could be up to \$1bn.

Mr Hugh Morgan, Western Mining's managing director, told Reuters yesterday that the company would expect any new owner of the BP Minerals stake in Olympic Dam to honour the financing commitments.

Micrelec 31% ahead at £0.6m

Micrelec Group raised pre-tax profits by 32 per cent from £81,000 to £107,000 in the six months to September 30. Turnover advanced 82 per cent from £2.68m to £4.88m. Some \$900,000 of this came from the inclusion for the first time of Electronic Specialists, full control of which was assumed at the end of March.

The USM-quoted company makes and services electronic automation equipment, mainly for petrol stations. It also announced yesterday the appointment of Dr Tim Cook as managing director of Micrelec PLC. To ensure continuity Mr David Willis has been appointed chairman of Micrelec PLC. He succeeds Mr Peter Beck, who remains chairman of Micrelec Group.

Wentworth ahead

Profits before tax of the Wentworth International Group expanded from £105,169 to £140,108 for the half-year to September 30. Turnover pushed ahead by nearly £1m to £2.46m.

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corresponding dividend, Total for year, Total last year.

Dividends shown pence per share net except where otherwise stated. *On capital increased by rights and/or acquisition issues. \$USM stock. \$SUnquoted stock. #Third market. @Scrip option on final. For 18 months. † To reduce disparity.

BOARD MEETINGS

Table with columns: Company, Date, Chairman, Secretary, Director.

Authority Invt

Authority Investments, investment holding company, reported pre-tax profits up from £1.59m to £1.88m in the six months to October 31 1988. From basic earnings per 30p share of 15.15p, against 12.59p, the interim dividend has been increased from 2.5p to 3.25p.

FT FRANCE

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The Financial Times proposes to publish this survey on:

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FINANCIAL TIMES

INTERCRAFT INDUSTRIES CORPORATION has sold its UNITED KINGDOM AND AUSTRALIAN OPERATIONS to HESTAIR plc. The undersigned initiated the transaction and acted as financial advisor to Hestair.

RENFÉ RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES GUARANTEED FLOATING RATE NOTES DUE 1994 for six months 15 December 1988 to 15 June 1989 each note will carry an interest rate of 8.5% per annum and a coupon amounting to ECU 429.72 LISTED ON THE LUXEMBOURG STOCK EXCHANGE BY: BANQUE INDOSUEZ AGENT BANK

HERON ECU 40,000,000 GUARANTEED FLOATING RATE NOTES 1984-1991 for the six months 16 December 1988 to 16 June 1989 each note will carry an interest rate of 8 1/2% per annum and a coupon amounting to ECU 438.20 LISTED ON THE LUXEMBOURG STOCK EXCHANGE BY: BANQUE INDOSUEZ AGENT BANK

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VESTLANDS BANK US\$5,000,000 Subordinated Floating Rate Notes Due 1992 For the six months, 19th December 1988 to 19th June 1989 the interest rate has been fixed at 9.8125% per annum. Interest payable on 19th June 1989 per note of 24803.82 per note of US\$500,000 denomination. Christianie Bank London Branch Agent Bank

هكنا من النحل 33

The Newcastle and Gateshead Water Company IMPORTANT NOTICE TO STOCKHOLDERS INTENDING TO ACCEPT THE RECOMMENDED OFFERS BY Lyonnaise UK PLC a wholly-owned subsidiary of Lyonnaise des eaux sa WEDNESDAY 21st DECEMBER, 1988 IS THE CURRENT CLOSING DATE FOR ACCEPTANCES

Sunderland and South Shields Water Company IMPORTANT NOTICE TO STOCKHOLDERS INTENDING TO ACCEPT THE RECOMMENDED OFFERS BY Lyonnaise UK PLC a wholly-owned subsidiary of Lyonnaise des eaux sa WEDNESDAY 21st DECEMBER, 1988 IS THE CURRENT CLOSING DATE FOR ACCEPTANCES

PRIME MINISTER CAUGHT IN TREASURY FRAUD SCANDAL BY PENNY PINCHER OUR FINANCIAL CORRESPONDENT The Prime Minister was branded a thief yesterday after pocketing a pay increase of £2 million. "These Treasury pay outs are nothing short of criminal," stormed Beatrice Rideout MP (Grand National Front). Their anger left Weston visibly rattled but he courageously retorted "they can say what they want - I've still got the Parliamentary majority". The skirmishing escalated when Weston went ahead with his purchase of British Telecom adding it to his already considerable business empire. Informed sources insisted that an election was not far off. Voices and tempers rose leaving Weston to lament in the uproar, "Infamy, infamy! They've all got it in for me!" Certainly, the players find their business and political talents pushed to the limits. After all, the game Poleconomy is definitely not for the meek.

COMMODITIES AND AGRICULTURE

EC hopes for farm package

By Tim Dickson in Brussels

FARM MINISTERS of the European Community will return to Brussels next week to wrestle with a new compromise package put forward by the European Commission early yesterday covering beef reform, milk quotas, direct income aids, New Zealand butter and lamb imports and several other, more minor issues.

Coffee up in London after NY rally

By David Blackwell

COFFEE prices in London rose to the highest levels for two months yesterday on the back of a strong overnight rally in New York.

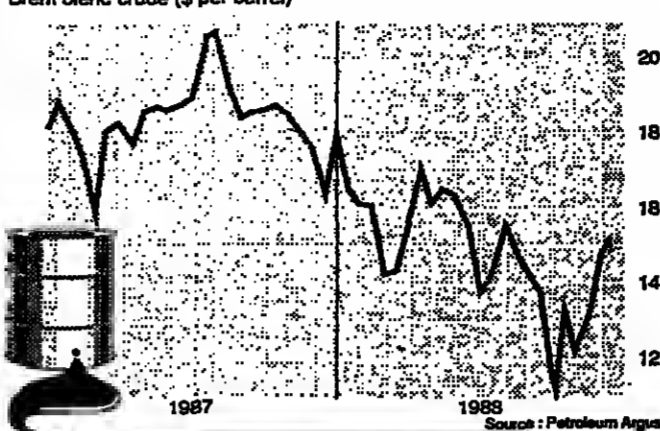
'Missing' oil poses a mystery for markets

Steven Butler looks at the surplus of stocks and the effect this may have on prices

HUNDREDS of millions of barrels of oil have gone missing in the world, and whoever finds them could win a prize on the oil futures markets.

Oil Price

Brent blend crude (\$ per barrel)



Source: Petroleum Age

For many weeks now, reported statistics for oil production, storage, and consumption, including those by reputable sources such as the International Energy Agency, have gone out of balance.

This drove oil prices way down out of fears that the market would be flooded. Yet one of the principal indicators of excess supply - levels of primary storage in the industrialised countries - has hardly budged.

THE SINGAPORE International Monetary Exchange (SImex) is planning to launch a futures contract for fuel oil in late February.

While the Opec production ceiling of 18.5m b/d may be reasonable for normal stock levels, it would not in any case be enough to jerk the price up. "It is not a restrictive agreement," he says.

What Opec has to do is "keep the show on the road," he says, to maintain its credibility by calling meetings and holding the market while cutting production. This would not push prices toward \$18, but rather serve to prevent a collapse to single digits.

Instead, excellent margins have encouraged refiners to process oil as quickly as possible, passing it on down the distribution chain, putting refined products into distributors tanks, and into the filling stations on the corner where it is out of reach of the people who compile monthly statistics.

US may lift sugar quota

Nancy Dunne in Washington

WITH NORTH American sugar stocks at their lowest point in years, the US Agriculture Department yesterday was expected to ease the 1989 sugar import quota over last year's original levels.

Report urges UK forestry privatisation

By James Buxton in Edinburgh

Forestry policy has covered Scotland's hills, mountains and glens with rows of "identikit" conifers, contributing to the acidification of streams, rivers and lochs.

Jordan invaded by desert locusts

SWARMS OF desert locusts have invaded Jordan for the first time in 30 years, according to an agriculture ministry official, Reuters reports from Amman.

Ministry Secretary General Salem al-Lawad told the state-run news agency Petra that two big swarms crossed into Jordan from the east on Wednesday night.

WORLD COMMODITIES PRICES

Table with columns: Commodity, Close, Previous, High/Low. Includes COCOA, COPPER, and SUGAR prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes SOYBEAN MEAL, POTATOES, and SOYBEAN OIL prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes RUBBER, COFFEE, and WHEAT prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes ALUMINUM, ZINC, and LEAD prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes GOLD, SILVER, and PLATINUM prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes CRUDE OIL, HEATING OIL, and NATURAL GAS prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes COPPER, ZINC, and LEAD prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes GOLD, SILVER, and PLATINUM prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes CRUDE OIL, HEATING OIL, and NATURAL GAS prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes SUGAR, COTTON, and ORANGE JUICE prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes SOYBEAN MEAL, POTATOES, and SOYBEAN OIL prices.

Table with columns: Commodity, Close, Previous, High/Low. Includes RUBBER, COFFEE, and WHEAT prices.

London physical market, CIF Rotterdam, Bullion market close, M-L, Malaysian, etc.

FRUIT AND VEGETABLES: Most fruit prices are stable this week with oranges 2-5p, apples 25-50p a lb and conference pears 25-40p, reports FFVIB.

TO ADVERTISE IN THE HOLIDAYS AND TRAVEL SECTION PLEASE CALL: Ian Flint 01-895 9725, Helen Curtis 01-895 9723, John Enoch 01-895 9717.

Equities firm but share volume thin

THE WIDELY-ANTICIPATED rise in the West German Lombard Rate, although quickly followed by higher official lending rates elsewhere in Europe, failed to upset the London equity market yesterday.

points up at 1763.2, still one point under the day's best. The market brushed off further staff cutbacks in the City, this time at Kleinwort Benson, which is regarded as one of the more aggressive and successful trading firms.

current account were cautiously taken. Traders described the tone as "very good," but were bound to admit that special situations apart, turnover was already declining into pre-Christmas torpor.

Bill Martin of Phillips & Drew warned that UK rates could be forced higher next year. Reports from Pittsburgh that Ford Motor has developed a non-platinum exhaust emission catalyst hit shares in Johnson Matthey which, as a major refiner of platinum, draws around one third of its profits from the auto catalyst market.

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FINANCIAL TIMES STOCK INDICES

Table with columns for Dec 15, Dec 14, Dec 13, Dec 12, Dec 9, Dec 8, Dec 7, Dec 6, Dec 5, Dec 4, Dec 3, Dec 2, Dec 1, 1988, and Stock Compilation. Rows include Government Secs, Fixed Interest, Ordinary, Gold Mines, etc.

SE ACTIVITY

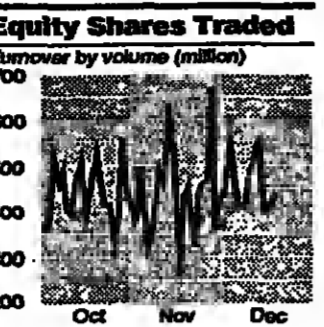
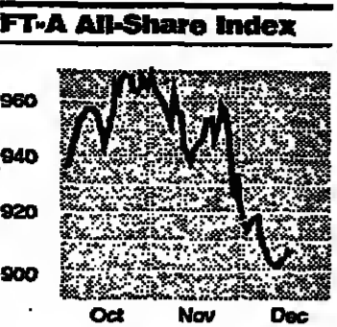
Table with columns for Dec 14 and Dec 13. Rows include Gilt Edged Bargains, Equity Bargains, Equity Value, etc.

TRADING VOLUME IN MAJOR STOCKS

Table with columns for Stock, Value, Change, % Change, etc. Lists various stocks like Shell, British Petroleum, etc.

Sudden surge for Beecham

The recent quiet in the pharmaceuticals sector was dispersed by a sudden surge in activity in Beecham. Turnover expanded to 6.3m shares by the close and dealers marked their prices 8 1/2 higher to 474 1/2p.



also fears about the prospects for Halfords, the motor accessories and cycles group. Ward White shares, which have fared badly in the last few months and saw a drop of 8 1/2p on Wednesday, rose 1 1/2p to 201p in early morning trade.

agreement team led by Mr Christian Hosen. International stocks were mixed. Glaxo remained firmly in the doldrums and fell 5 to 1023p in modest turnover. Nomura yesterday advised clients wanting to take profits in Beecham to put their money into Glaxo, but this failed to inspire the shares.

489p amid speculation that Brent Walker would sell his stake in the company. Stake-building speculation helped Roseburgh gain 6 1/2 to 111p with dealers reporting US-sourced buying interest.

Deals in traded options reached the modest total of 32,542, consisting of 19,012 calls and 13,530 puts, featuring dealings in BP, GEC and Beecham, and by business in the FT-575 100 index contract which again reached a quarter of overall turnover.

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

Sale of Century

Century Oil shares burst into life, closing 15 higher at 160p on speculation that a bid for the specialist lubricants group could be imminent.

Ward White slither

Ward White suffered as several security houses downgraded profits forecasts for the group. County NatWest shaved its projections of likely pre-tax profits for the current year from 777m to 672m and for next year from 958m to 858m.

Wimpsey stake talk

George Wimpsey, one of the biggest housebuilders in the UK and a major international building contractor, was among the day's best performers as hints circulated in the market that the Grove Charity Trust stake was about to be

NEW HIGHS AND LOWS FOR 1988

- NEW HIGHS (20): BSW (20), BSW (20).

APPOINTMENTS

Senior post at Lloyd's Register

Mr John Hutchinson, managing director of Bank Line, and director of the parent company, Andrew Weir & Co., has been appointed deputy chairman of LLOYD'S REGISTER from January 1. Mr John Hickman becomes secretary on the same date.

Seven managing directors at Salomon Bros

SALOMON BROTHERS, London, has appointed seven managing directors from January 1. They are: Mr Peter G. Dagher and Mr Dennis J. Keegan, international fixed income trading; Mr J. Randolph Dumas, investment banking - international real estate; Ms Jean Grall and Mr G. Donald Johnston III, investment banking - international corporate finance; Mr David Jarvis, investment banking - international financial institutions; and Mr Christopher M. Mitchell, Japanese equity research.

Senior post at Lloyd's Register

Mr John B. Davies has been appointed managing director, finance, of TEXAS EASTERN NORTH SEA INC., London. He was with Amoco (UK) Exploration Company, where he was director and manager of administration and economics.

Senior post at Lloyd's Register

Mr R.J. Taylor, a general manager of Sun Alliance Insurance Group, has been appointed a director of THE BRITISH AVIATION INSURANCE COMPANY. He

ALCATEL n.v. has sold its subsidiary ALCATEL INFORMATION SYSTEMS, INC. BOOZ ALLEN ACQUISITION SERVICES BOOZ ALLEN & HAMILTON INC. November 1988

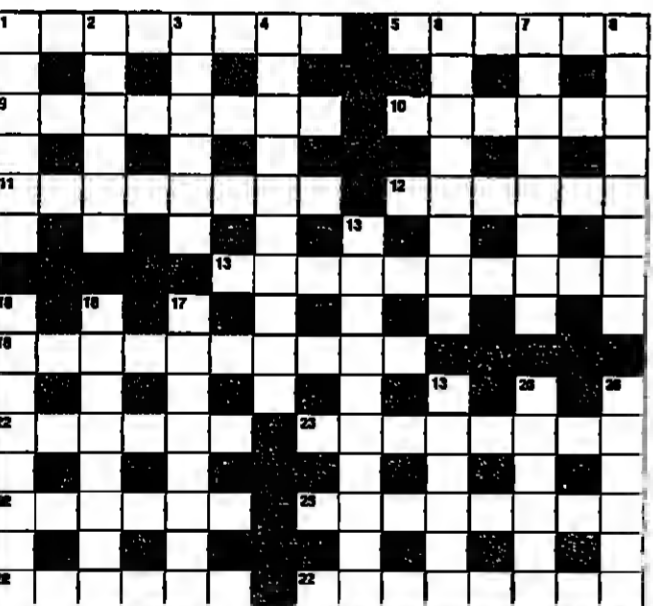
FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Alliance Unit Trust, and others, with columns for Name, Class, Price, and other details.

CROSSWORD No.6,813 Set by GRIFFIN



- ACROSS
1 Tall glass vessel (6)
5 In agreement, take half of vessel - (6)
9 - even if it upsets Hugh a lot (8)
10 Girl wants a bed at the front (8)
11 Loathe Devon banker with an old car (8)
12 Dominate in the seventh rally (6)
14 Subordinate in corner resolved to think again (10)
16 Learned about old city from printed matter (10)
22 Having broken leg can look but briefly (6)
23 Sweetheart takes Pam here dressed as a mayfly (8)
24 Assistant with the continental stock (8)
25 To cover retirement one man is hard-working (8)
26 Religious class on vessel (6)
27 Vessel a girl takes back into port (8)
DOWN
1 Left vicar when standing outside vessel (6)
2 Girl's sock goes on top of here (8)
3 Smells the same in sour mixture (6)
4 Of course it's the last hotel (10)

Solution to Puzzle No.6,812

ACROSS
1 TALL GLASS VESSEL
5 IN AGREEMENT, TAKE HALF OF VESSEL -
9 EVEN IF IT UPSETS HUGH A LOT
10 GIRL WANTS A BED AT THE FRONT
11 LOATHES DEVON BANKER WITH AN OLD CAR
12 DOMINATE IN THE SEVENTH RALLY
14 SUBORDINATE IN CORNER RESOLVED TO THINK AGAIN
16 LEARNED ABOUT OLD CITY FROM PRINTED MATTER
22 HAVING BROKEN LEG CAN LOOK BUT BRIEFLY
23 SWEETHEART TAKES PAM HERE DRESSED AS A MAYFLY
24 ASSISTANT WITH THE CONTINENTAL STOCK
25 TO COVER RETIREMENT ONE MAN IS HARD-WORKING
26 RELIGIOUS CLASS ON VESSEL
27 VESSEL A GIRL TAKES BACK INTO PORT
DOWN
1 LEFT VICAR WHEN STANDING OUTSIDE VESSEL
2 GIRL'S SOCK GOES ON TOP OF HERE
3 SMELLS THE SAME IN SOUR MIXTURE
4 OF COURSE IT'S THE LAST HOTEL

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These are the charges made by the trustee at the time of purchase. They are shown as a percentage of the net asset value of the unit at the time of purchase. The price at which units are sold is the net asset value of the unit at the time of sale. The price at which units are bought is the net asset value of the unit at the time of purchase plus the initial charge. The price at which units are sold is the net asset value of the unit at the time of sale minus the initial charge.

مكتبة الأهرام

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for Name, Code, Price, and other details. Includes sections for 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

Vertical text on the left margin, including 'gh and ero in', 'ESTATES', and 'Properties and their first joint venture'.

Vertical text on the right margin, including 'Merchant Investors Assurance Co Ltd' and 'Continued on next page'.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-928-2128

Main table containing unit trust information with columns for Name, Price, Offer, Yield, and various fund details. Includes sections for National Mutual Life, Norwich Union Asset Management Ltd, and various international and domestic funds.

OFFSHORE AND OVERSEAS

UK LISTED

Table listing offshore and overseas unit trusts, including names, prices, and yields. Includes sub-sections for UK LISTED and IOM AUTHORISED.

Handwritten signature or stamp at the bottom center of the page.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

Main table containing FT Unit Trust Information Service data, including columns for fund names, prices, and performance metrics. It is organized into sections like OFFSHORE INSURANCES, BRITISH FUNDS, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SEAS GOVT STERLING ISSUES, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Vertical text on the left margin containing various notices and advertisements, including 'ESTATES and Properties are for sale', 'Research correspondent', and 'The British Bank of Africa Ltd'.

Vertical text on the right margin containing additional notices and advertisements, including 'Money Market Trust Funds', 'Money Market Bank Accounts', and 'UNIT TRUST NOTES'.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-825-2128

AMERICANS - Contd. Table with columns for company name, price, and other financial metrics.

BUILDING, TIMBER, ROADS - Contd. Table with columns for company name, price, and other financial metrics.

ELECTRICALS Table with columns for company name, price, and other financial metrics.

ENGINEERING - Contd. Table with columns for company name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd. Table with columns for company name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd. Table with columns for company name, price, and other financial metrics.

CANADIANS Table with columns for company name, price, and other financial metrics.

BANKS, HP & LEASING Table with columns for company name, price, and other financial metrics.

CHEMICALS, PLASTICS Table with columns for company name, price, and other financial metrics.

FOOD, GROCERIES, ETC Table with columns for company name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd. Table with columns for company name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd. Table with columns for company name, price, and other financial metrics.

HIRE PURCHASE, LEASING, etc. Table with columns for company name, price, and other financial metrics.

DRAPERY AND STORES Table with columns for company name, price, and other financial metrics.

ENGINEERING Table with columns for company name, price, and other financial metrics.

INDUSTRIALS (Misc.) Table with columns for company name, price, and other financial metrics.

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BEERS, WINES & SPIRITS Table with columns for company name, price, and other financial metrics.

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INDUSTRIALS (Misc.) Table with columns for company name, price, and other financial metrics.

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LONDON SHARE SERVICE

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LEISURE - Contd

Table of share prices for Leisure sector including companies like Leisure World, Leisure Time, etc.

PROPERTY

Table of share prices for Property sector including companies like Property Finance, etc.

TEXTILES - Contd

Table of share prices for Textiles sector including companies like Textile Finance, etc.

TRUSTS, FINANCE, LAND - Contd

Table of share prices for Trusts, Finance, and Land sector including companies like Finance, etc.

OIL AND GAS - Contd

Table of share prices for Oil and Gas sector including companies like Oil Finance, etc.

MINES - Contd

Table of share prices for Mines sector including companies like Mines Finance, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors and Aircraft Trades sector including companies like Motors Finance, etc.

TOBACCO

Table of share prices for Tobacco sector including companies like Tobacco Finance, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land sector including companies like Finance, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector including companies like Overseas Finance, etc.

PLANTATIONS

Table of share prices for Plantations sector including companies like Plantations Finance, etc.

THIRD MARKET

Table of share prices for Third Market sector including companies like Third Market Finance, etc.

Commercial Vehicles

Table of share prices for Commercial Vehicles sector including companies like Commercial Finance, etc.

Components

Table of share prices for Components sector including companies like Components Finance, etc.

Finance, Land, etc

Table of share prices for Finance, Land, etc sector including companies like Finance, etc.

MINES

Table of share prices for Mines sector including companies like Mines Finance, etc.

Far West Rand

Table of share prices for Far West Rand sector including companies like Far West Finance, etc.

O.F.S.

Table of share prices for O.F.S. sector including companies like O.F.S. Finance, etc.

DIAMOND AND PLATINUM

Table of share prices for Diamond and Platinum sector including companies like Diamond Finance, etc.

Central Africa

Table of share prices for Central Africa sector including companies like Central Africa Finance, etc.

Finance

Table of share prices for Finance sector including companies like Finance Finance, etc.

OIL AND GAS

Table of share prices for Oil and Gas sector including companies like Oil Finance, etc.

Australians

Table of share prices for Australians sector including companies like Australians Finance, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional and Irish Stocks sector including companies like Regional Finance, etc.

SHIPPING

Table of share prices for Shipping sector including companies like Shipping Finance, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather sector including companies like Shoes Finance, etc.

SOUTH AFRICANS

Table of share prices for South Africans sector including companies like South Africans Finance, etc.

TEXTILES

Table of share prices for Textiles sector including companies like Textiles Finance, etc.

TRADITIONAL OPTIONS

Table of share prices for Traditional Options sector including companies like Traditional Finance, etc.

INDUSTRIALS

Table of share prices for Industrials sector including companies like Industrials Finance, etc.

PROPERTY

Table of share prices for Property sector including companies like Property Finance, etc.

TOBACCO

Table of share prices for Tobacco sector including companies like Tobacco Finance, etc.

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MINES

Table of share prices for Mines sector including companies like Mines Finance, etc.

Far West Rand

Table of share prices for Far West Rand sector including companies like Far West Finance, etc.

O.F.S.

Table of share prices for O.F.S. sector including companies like O.F.S. Finance, etc.

DIAMOND AND PLATINUM

Table of share prices for Diamond and Platinum sector including companies like Diamond Finance, etc.

Central Africa

Table of share prices for Central Africa sector including companies like Central Africa Finance, etc.

Finance

Table of share prices for Finance sector including companies like Finance Finance, etc.

OIL AND GAS

Table of share prices for Oil and Gas sector including companies like Oil Finance, etc.

Australians

Table of share prices for Australians sector including companies like Australians Finance, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional and Irish Stocks sector including companies like Regional Finance, etc.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and dollar improve

STERLING REACTED favourably, although somewhat belatedly, to an encouraging batch of UK economic statistics released yesterday. Average earnings rose less than expected in October, while unemployment fell by more than most forecasts. The prospect of strong growth and slowing consumer demand brought a mixed reaction from currency traders. Overseas investors are clearly attracted by the high level of return on sterling based investments. It is also prohibitively expensive to run short sterling positions. However, preliminary data suggest that the squeeze on consumer spending, brought about by the high cost of borrowing, may now be starting to bite. It is argued therefore, that UK rates are more likely to fall or at best remain the same for the time being. At the moment, sterling is currently regarded as a little overvalued at anything under DM3.18, and this was borne out by yesterday's performance, which saw the pound tracking DM3.18 for much of the day, before it rose to finish at DM3.1950, up from DM3.1800 on Wednesday. Sterling was also higher against the yen at ¥226.50 from ¥224.50, but slipped against a

rising dollar to \$1.8385 from \$1.8300. Elsewhere, it finished at SF2.6225 from SF2.6800 and FF10.8300 compared with FF10.8700. On Bank of England figures, the pound's exchange rate index rose from 77.9 from 77.7 at the start and Wednesday's close. The tone was partly a reflection of renewed dollar strength, as investors are nursing strong suspicions that the US discount rate may be increased today, partly to re-establish the status quo between US and European rates but, more importantly, to address the problem of rising inflation. Against this background, the dollar rose to DM1.7480 from DM1.7370 and ¥123.35 from ¥122.70. Elsewhere, it was higher at SF1.4725 from SF1.4650 and FF5.9775 from FF5.9400. On Bank of England figures, the dollar's exchange rate index rose from 92.9 to 93.3. While Mr Karl Otto Poehl,

president of the West German Bundesbank, added his weight to the call for maintaining current EMS parities, the D-Mark rose to a record high against the French franc in Paris, and there were no obvious signs of intervention by the Bank of France. However, short-term investors lack the incentive to try and push the D-Mark above FF3.4200, at least for the time being, and the D-Mark hovered just below this level for the rest of the afternoon. The French franc remains weak, and some regard the Christmas and New Year break as a stay of execution for current EMS parities. The Japanese yen lost ground against the dollar and consequently showed little change against the D-Mark, the latter also losing ground in dollar terms. The D-Mark finished at ¥70.57 compared with ¥70.60 on Wednesday.

FINANCIAL FUTURES

UK figures boost sentiment

THREE-MONTH sterling futures showed an encouraging response to UK economic data released yesterday. Many investors are now forecasting the hope that UK bank base rates may be at their peak. It is too early to be unduly optimistic - inflation is unlikely to start falling until the first to second quarter of next year, but preliminary data suggest that the current level of rates may be working to contain consumer demand. Consequently, the brief rise in cash rates yesterday failed to dent the more bullish tone, and three-month sterling deposits for March delivery ended higher at 87.12, up from 86.92 at the opening and 86.97

on Wednesday. Long gilt futures were also encouraged by sterling sentiment in the face of higher European interest rates. US Treasury bond futures finished with small losses in relatively thin trading. The prospect of a rise in the Fed discount rate weighed on sentiment.

Table with columns: Strike, Call-Settlements, Put-Settlements, Price, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Includes sub-headers for 'LIFE LONG GILT FUTURES OPTIONS' and 'LIFE US TREASURY BOND FUTURES OPTIONS'.

Table with columns: Strike, Call-Settlements, Put-Settlements, Price, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Includes sub-headers for 'LIFE FT-SE INDEX FUTURES OPTIONS' and 'LIFE EURO-DOLLAR FUTURES OPTIONS'.

Table with columns: Strike, Call-Settlements, Put-Settlements, Price, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Includes sub-headers for 'LIFE SIBUR FUTURES OPTIONS' and 'LIFE SIBUR STERLING'.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit Rates with columns for Country, Unit, % change, % change adjusted for divergence, and Divergence %.

£ IN NEW YORK

Table showing £ in New York with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for 1 month, 3 month, 6 month, 12 month.

STERLING INDEX

Table showing Sterling Index with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for 8.30 am, 11.00 am, 1.00 pm, 3.00 pm, 4.00 pm.

CURRENCY RATES

Table showing Currency Rates with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for Sterling, US Dollar, Canadian Dollar, Australian Dollar, etc.

CURRENCY MOVEMENTS

Table showing Currency Movements with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for Sterling, US Dollar, Canadian Dollar, etc.

OTHER CURRENCIES

Table showing Other Currencies with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for Argentina, Australia, Brazil, etc.

LONDON OILFED

Table showing London Oilfed with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for 30 YEAR 7% NATIONAL GILT, etc.

CHICAGO

Table showing Chicago with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for U.S. TREASURY BOND 8%, etc.

BASE LENDING RATES

Table showing Base Lending Rates with columns for Bank Name, Rate, and other details.

POUND SPOT-FORWARD AGAINST THE POUND

Table showing Pound Spot-Forward Against the Pound with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for US, Canada, etc.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot-Forward Against the Dollar with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for UK, etc.

EURO-CURRENCY INTEREST RATES

Table showing Euro-Currency Interest Rates with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for Sterling, US Dollar, etc.

EXCHANGE CROSS RATES

Table showing Exchange Cross Rates with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for £/\$, £/DM, etc.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for 3 months US dollars, 6 months US dollars, etc.

MONEY RATES

Table showing Money Rates with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for New York, London, etc.

LONDON MONEY RATES

Table showing London Money Rates with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for Interbank 6m, Interbank 3m, etc.

MONEY MARKETS

Nervous undertone

THE RISE in West German interest rates yesterday may force European central banks to take a more active role, if they are intent on maintaining current EMS parities. The French franc remains weak against the D-Mark, despite a rise in French money market intervention rates on Wednesday evening. The timing of the increase was designed to head off speculative pressure on the French franc, as investors awaited the outcome of the Bundesbank meeting. However, the mood of uncertainty deepened when comments by Mr Jean-Marie Rauech, French foreign trade minister, arguing in favour of a D-Mark revaluation, were quickly followed by a strong defence of current EMS parities, by Mr Pierre Bergeyov, French finance minister. Initial reaction to the half point rise in the West German Lombard rate included a rise in the Dutch discount rate to 5.75 p.c. and an increase in the Austrian Lombard rate. In addition, the Bank of Italy sold DM60m at the fixing in Milan. UK interest rates were inclined to take a back seat, as

attention focussed elsewhere. The key three-month interbank rate edged up a sixteenth of a point, in deference to the firmer tone in Europe, but came back to finish at 13 1/4-13 1/2 p.c. Although this is a slightly wider spread, it is in effect unchanged from the previous close of 13 1/4-13 1/2 p.c. Short-term money proved to be a little expensive towards the close as the market struggled with a forecast shortage of \$500m, later revised to \$1,050m, and then back to \$300m. Factors affecting the market included repayment of late assistance and a take up of Treasury bills, together with bills maturing outside official hands adding \$33m. These were outweighed by Exchequer transactions, which drained \$585m, and a rise in the note circulation of \$150m. In addition, banks brought forward balances \$26m below target. The Bank gave assistance in the morning of \$66m, through outright purchases of \$36m of eligible bank bills in band 3 at 12 1/2 p.c., and in band 4, \$10m of Treasury bills and \$56m of eligible bank bills, all at 12 1/2 p.c. Additional help in the afternoon came to \$232m, and comprised purchases of \$90m of eligible bank bills in band 1 at 12 1/2 p.c., \$48m in band 2 at \$100m in band 4. Late help came to \$65m, making a total of \$377m.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for 3 months US dollars, 6 months US dollars, etc.

MONEY RATES

Table showing Money Rates with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for New York, London, etc.

LONDON MONEY RATES

Table showing London Money Rates with columns for Dec. 15, Dec. 14, and Dec. 13, and sub-headers for Interbank 6m, Interbank 3m, etc.

EUROPEAN OPTIONS EXCHANGE

Table showing European Options Exchange with columns for Series, Vol, Last, Vol, Last, Vol, Last, and sub-headers for DOLLAR, EURO, etc.

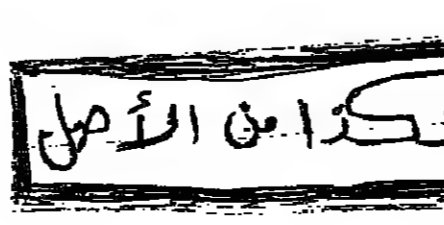
BASE LENDING RATES

Table showing Base Lending Rates with columns for Bank Name, Rate, and other details.

BAYERISCHE VEREINSBANK OVERSEAS FINANCE N.V. ("Borrower") Curacao, Netherlands Antilles. AS 50,000,000 14 % Notes of 1986/1990. US 100,000,000 8 % Bonds of 1986/1996. Yen 10,000,000,000 5 % Bonds of 1986/1991. AS 80,000,000 13 1/2 % Bonds of 1987/1996.

The Borrower has provided security for the payment of interest on and principal of all of the above mentioned Bond respectively Note issues by assigning to Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main ("Trustee"), the claims resulting from the deposits in the amounts of the respective issues maintained with Bayerische Vereinsbank Aktiengesellschaft, Munich.

Pursuant to § 9 (2) (d) of the respective Terms of Issue and under the authorization of the Trustee, the deposits of the above mentioned issues will be maintained by Bayerische Vereinsbank Aktiengesellschaft, London Branch, with effect from December 20, 1988. The validity of the respective assignment including the purpose of the security will not be affected hereby.



WORLD STOCK MARKETS

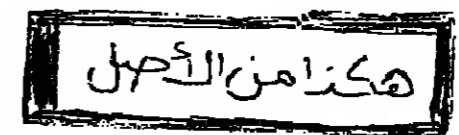
ASIA Table listing stock prices for countries like Australia, New Zealand, South Africa, and others. Includes columns for stock name, price, and change.

FRANCE (continued) Table listing various French stock companies and their current market prices.

GERMANY (continued) Table listing various German stock companies and their current market prices.

ITALY (continued) Table listing various Italian stock companies and their current market prices.

NETHERLANDS Table listing various Dutch stock companies and their current market prices.



FINLAND Table listing various Finnish stock companies and their current market prices.

SPAIN Table listing various Spanish stock companies and their current market prices.

SWITZERLAND Table listing various Swiss stock companies and their current market prices.

SOUTH AFRICA Table listing various South African stock companies and their current market prices.

NETHERLANDS Table listing various Dutch stock companies and their current market prices.

JAPAN Table listing various Japanese stock companies and their current market prices.

AUSTRALIA Table listing various Australian stock companies and their current market prices.

NEW YORK DOW JONES Table listing Dow Jones industrial and financial indices with historical data.

INDICES Table listing various international stock indices like the Nikkei, TOPIX, and MSCI indices.

NEW YORK ACTING STOCKS Table listing various New York acting stocks and their prices.

Table listing various Japanese stock companies and their current market prices.

Table listing various Australian stock companies and their current market prices.

Table listing various New York acting stocks and their prices.

Table listing various international stock indices and their values.

Table listing various Japanese stock companies and their current market prices.

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Large advertisement for Financial Times: '12 issues free when you first subscribe to the FT... Wilf Brüssel Financial Times (Europe) Ltd. D-6000 Frankfurt am Main 1 West Germany Tel: (069) 7598-101'

3pm prices December 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock names and prices.

Continued on Page 47

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for Stock, Div. Yld. E, High, Low, Last, and Change. Includes sub-sections for 'Continued from previous page' and 'Sales figures are rounded. Yearly highs and lows reflect the previous 12 months...'.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices December 15

Table of Over-the-Counter prices with columns for Stock, Div. Yld. E, High, Low, Last, and Change. Includes a note: 'Sales figures are rounded. Yearly highs and lows reflect the previous 12 months...'.

AMEX COMPOSITE PRICES

3pm prices December 15

Table of AMEX Composite Prices with columns for Stock, Div. Yld. E, High, Low, Last, and Change.

Advertisement for 'Have your F.T. hand delivered...' with contact information for Athens (01) 7237167 and Hellenic Distribution Agency.

Advertisement for 'Have your F.T. hand delivered...' with contact information for Vienna (01) 515 62161 and Ewa Malicka on Frankfurt (069) 7598-114.

SECTION III

FINANCIAL TIMES SURVEY



Britain's television industry faces a dramatic upheaval as the system is opened up to new players,

with more choice for viewers. But, while some welcome deregulation, others fear the government's proposed changes may be a recipe for chaos, writes Raymond Snoddy

Free market of the air

WHAT EVERYONE - from the British Government to Mr Rupert Murdoch, chief executive of News International - has dubbed a broadcasting revolution is about to break over the British television industry.

A powerful mixture of technology and the free market principles of Mrs Thatcher, the Prime Minister, is combining to offer an unprecedented number of channels of television to viewers and, over a longer time scale, an opening up of the existing system to greater competition and new players with potentially more choice for viewers.

Together, satellites coming hand-in-hand with a political process of deregulation, will mean changes, at least to the structure and ownership of television in the UK, more dramatic than anything since the arrival of commercial television for the first time in 1955.

What the viewers will make of this new choice available at a price - apart from the cost of new receiving equipment - many of the most attractive of the new channels also involve a monthly subscription - will begin to become clear only over the next few years.

The most visible sign of impending change should come on February 5 when Mr Murdoch's Sky Television is scheduled to launch no fewer than six television channels on Astra, the 16-channel satellite launched from French Guiana by the Ariane space rocket earlier this month.

Sky Television will offer two subscription channels, Sky Movies and the Disney Channel as a package at £12 a month and four advertising financed channels - Sky News, a 24-hour-a-day news channel, the existing Sky gen-

eral entertainment Channel, Eurosport, a 50-50 joint venture with a group of Europe's public service broadcasters including the BBC and a sixth channel showing "classic" movies and arts programming.

Such an all-or-nothing approach is an enormous financial gamble for Mr Murdoch who hopes that 1m Astra receivers will be sold in the first year. If the number were to fall considerably below expectations, the losses of Sky Television could mount at an intimidating rate. Unconfirmed estimates suggest that Mr Murdoch may be budgeting for a \$200m loss in the first year of the operation.

Also on Astra will be two channels from W.H. Smith - Television-Lifestyle, a channel mainly aimed at women, and Screen Sport, a European sports channel broadcast in French and German as well as English - and possibly two

be five complementary channels on the BSB satellite system probably devoted to films, general entertainment, sport, news and music.

Competition between BSB and Sky Television for programming rights, particularly films from the major American studios, has already pushed up prices and led to commitments being entered into for hundreds of millions of dollars.

BSB, through deals with Columbia, Paramount, Universal, Cannon, MGM-UA and Warner, has already committed more than \$700m over the next five years.

Yet Mr Christopher Irwin, a senior BBC executive who has been involved with BSB since the days when the BBC was considering a two-channel DBS service, believes that even in six years' time the main terrestrial channels will still have a dominant share of viewing time. He told the Royal Televi-

sion Society in Edinburgh earlier this month that he estimated by 1994 the BBC's share of viewing would fall from 36 per cent to 31 per cent, BBC2 from 12 to 11 per cent, ITV (then known as Channel 3) would fall from 41 to 33 per cent, with Channel 4 constant at 9 per cent.

Satellite, cable and local microwave television, a further programme delivery being given the go-ahead by the government, would, Mr Irwin said, together account for 8 per cent of total viewing with a further 5 per cent going to the planned new Channel 5.

If this scenario should turn out to be reasonably accurate, then the harbingers of the broadcasting revolution, the satellite channel owners, could find themselves in a very expensive battle for a relatively small slice of total viewing, at least in the medium term. It would then turn into a battle of deep pockets and iron nerves.

The outcome of the future satellite contest is impossible to predict at the moment but many broadcasting specialists find it odd that at a time of maximum uncertainty the government has produced a radical white paper which, if implemented in its present form, would not only amount to a significant degree of deregulation but involve a complete reconstruction of the commercial television sector.

The government's rationale is that not only is change inevitable because of technological developments, but it is also desirable.

"Only through change will the individual be able to exercise the much wider choice which will soon become available," the white paper argues.



Britain's Broadcasting Revolution

CONTENTS

- Ariane launch lift-off for 1989, "the year of the dish"
Technology: new age of deregulation all over the world
Satellite TV: level of demand causes concern
While paper: more choice "will not mean lower standards"
Cable TV: franchises granted "to remove uncertainty"
Getting the message across: next year should be good for point-to-multipoint
Independent producers: big studios to be less dominant

lished in July 1986 which recommended many of the changes the government is now proposing, including competitive tendering, although the recommendation was supported by only four of the seven Peacock Committee members.

The government also ignored one central thrust of the Peacock Committee's thinking - that government influence over broadcasting should be reduced and that broadcasters, like newspaper publishers, should simply be subject to the

Advertisers: new channels should curb airtime costs
Commercial radio: a future bright with diversity
New television age: more-than-even chance that quality output will rise
Cable TV: franchises granted "to remove uncertainty"
Getting the message across: next year should be good for point-to-multipoint

the abolition of the IBA and a form of regulated tender for ITV franchises, the underlying theme was the maintenance of quality in an age of increasing competition.

"We have been concerned that the structure of British television in the 1980s should build on the achievements to date," the Home Affairs Committee said.

To some extent the committee's concerns for quality have been reflected at least in the rhetoric of the white paper, Channel 3 licence holders will

There seems little to prevent Mr Robert Maxwell, who owns three national papers, from bidding for the two largest TV franchises, held by Central and Thames

normal law of the land. Instead, the government set up the Broadcasting Standards Council to monitor standards of taste and decency on television and in particular how sex and violence are portrayed.

Another key element in government thinking was a widely praised report on the future of broadcasting by the Home Affairs Select Committee under the chairmanship of Mr John Wheeler. Although the committee recommended many far-reaching changes, such as

be required not only to show high quality news and current affairs programmes made in the region but "a diverse programme service calculated to appeal to a variety of tastes and interests."

Opinions about the white paper have divided along somewhat predictable grounds. Many ITV companies fearful of losing their ability to broadcast in a highest bidder auction have been horrified while potential new entrants to broadcasting who have been

excluded in the past are completely delighted and argue that more choice and more competition will emphatically not mean the end of all quality programmes on British commercial television.

The City view seems to be one of cautious optimism over the new commercial opportunities about to open up. Stockbrokers McCaughan Dyson Capel Cure in a study published earlier this month said: "It is our belief that the brave new world of broadcasting, which the white paper hopes to create, will not be nearly as injurious to the TV industry as a whole as pessimists have suggested."

The stockbrokers argue that it offers tremendous opportunities for entrepreneurs trying to gain a foothold in the industry and those prepared to invest in them.

Although the firm concedes that some ITV companies will not make it through the auctioning process, potential predators may boost the share price of the sector in the interim.

Yet when all the vested interests have been discounted, a number of serious questions remain.

Will the fragmentation being deliberately introduced into the commercial television system ultimately turn out to be in the interests of no-one - neither programme producers, advertisers nor viewers?

Certainly Mr Simon Relf, chief executive of British Screen, the body involved in the financing of British-made films, fears the fragmentation could cut off one of his most important streams of revenue - broadcasters investing in film production.

Are the proposed controls on cross-media ownership too loose? As the white paper stands, there seems little to prevent Mr Robert Maxwell, who owns three national newspapers, from bidding for the two largest ITV franchises now held by Central and Thames.

Will the system of giving licences to the highest bidder, combined with the right of takeover, introduce an unprecedented degree of instability into the British broadcasting system?

There will certainly be an enormous amount to play for in the auctions because the winners, if they are not taken over in the meantime, will be able to apply at the end of their 10-year licences for a further 10-year term. This will depend on a satisfactory appraisal and the payment of a renewal fee based on advertising, subscription and sponsorship revenues.

Is it really wise to say that in future cable television network operators will not be able to sell the programmes carried on the network and that this should be left to a new breed of cable retailer?

Mr Roger Marshall, managing director of East London Telecommunications, one of the early cable television operators believes the white paper is a recipe for chaos for the entire broadcasting system.

"If it goes through in its present form, it will all have to be done again in five years," says Mr Marshall, who believes the consequences of auctioning licences to the highest bidder have not been thought through.

National Economic Research Associates (Nera), the US-owned communications consultancy, points out that there are few international precedents for awarding broadcasting licences to the highest bidder although Australia intends to allocate FM radio licences to the highest bidder from next year.

Even in the US, where the process of deregulation has probably gone furthest, licences for the main television stations are renewed in comparative hearings although they can then be bought and sold.

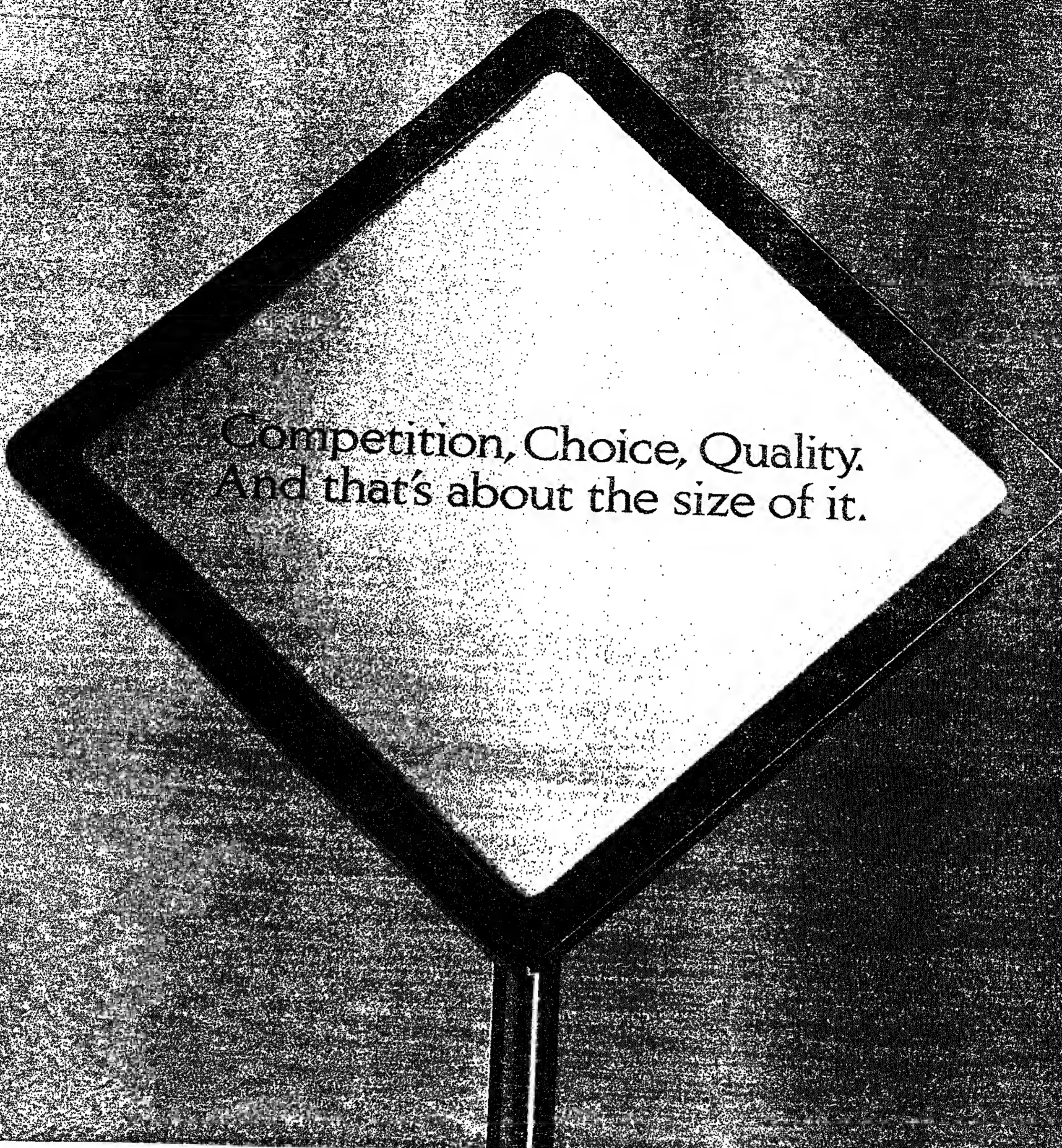
Nera, whose clients include the ITV Association, believes one of the major pitfalls of the proposed auctions "is the danger that bidders will be tempted to make unrealistic

Continued on Page 8




Major players in Britain's broadcasting revolution (from left): Douglas Hurd, the Home Secretary; Rupert Murdoch, whose interests span from the Sun to Twentieth-Century Fox and whose Sky Television is due to launch six TV channels in February; David Shaw, general secretary of the Independent Television Companies Association; Mirror proprietor Robert Maxwell, who is expected to seek a TV stake; Richard Dunn, managing director of Thames TV and Richard Burton, chairman of the Cable Authority

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Competition, Choice, Quality.
And that's about the size of it.

 Less than twelve inches square. That's the size of BSB's squarial. From next September, it will be used to receive Britain's three new national television channels.

The Government's recent White Paper, 'Broadcasting in the '90s: Competition, Choice and Quality', confirms the part that BSB will play in bringing about the new era of broadcasting in Britain. In fact, the last three words of its title read as a statement of the aims of BSB itself.

BSB represents a major source of competition to the BBC and ITV.

Our Galaxy, NOW, and Movie channels will be on air in September 1989, three years before the launch of Channel Five.

BSB is committed to the acquisition and commissioning of quality programming.

Our development of an advanced encryption system to protect our broadcasts from piracy attacks acts as an incentive to quality programme making. And the deals we have already concluded with MGM-UA, Warner Bros and Columbia, are further proof of our commitment to quality.



And, of course, we welcome an extension of the choice available to the British viewer. That is, after all, our raison d'etre.




But there are other objectives contained in The White Paper which we also share. BSB is pioneering the development of subscription in Britain, for example.

And we are already opening up new opportunities to advertisers, beginning a trend that will continue with the breaking up of the ITV network, and the commercial independence of Channel Four.

We welcome too the decision to bring the two extra channels on our own satellites into early use.

Most importantly, it's encouraging that the Government has recognised that BSB itself is "a challenging commercial proposition". We are currently completing the financing that will carry us through until we begin transmissions. Our start-up is one of the biggest investments in the history of the UK and it's an enormous challenge.

But one we're already cutting down to size.

 ROCKET LAUNCH 10 AUGUST 1989.  PROGRAMMES START SEPTEMBER. 

to satellites into orbit
Satellite
The
BSB
September
Channel Five
MGM-UA
Warner Bros
Columbia
1989

BRITAIN'S BROADCASTING REVOLUTION 4

THE WHITE PAPER

More choice 'will not mean lower standards'

Table: PROPOSED PROGRAMME OBLIGATIONS FOR INDEPENDENT SECTOR TELEVISION SERVICES. Columns include Requirement, Channel 3, Channel 4, Channel 5, Future DBS services, Other Sat services, Local services.

EARLIER THIS autumn Mr Douglas Hurd, the Home Secretary, promised that his white paper on the future of British broadcasting would be coherent, comprehensive and controversial.

Such commercial licences will fall into three basic categories - national, regional and local. There will be two main national commercial networks in future - Channel 4 and a planned new Channel 5, due to begin broadcasting in 1993.

particular form of technology or to the creation of the most sophisticated interactive two-way cable television networks has now been formally abandoned.

Within a few basic rules licence-holders will be able to decide which technology is most appropriate for them commercially.

'Government should not try to pick winners. There is no question of betting with public money on any of the opportunities now opening up'

As in other fields, there will be safeguards to protect viewers from shoddy wares and from exploitation, and programme standards on good taste and decency will be maintained.

The government has decided that the ITV companies will in future be pre-eminently regional broadcasters and any national or programme syndication arrangements will be a private matter for them.

change is important and that there should be an orderly transition to a genuinely competitive consumer market.

casting industry to create greater internal competition between its constituent parts.

PROSPECTIVE ADDITIONAL TELEVISION SERVICES*

Table: PROSPECTIVE ADDITIONAL TELEVISION SERVICES. Columns include Year, Delivery arrangement, Number of TV channels.

Why there is a mood of crisis Auction plus levy on revenue worries ITV companies

THE FUTURE has never looked more uncertain or more difficult for Britain's 15 ITV companies. Although the money from their regional television advertising monopolies is still flowing in almost



In the course of next year the ITV companies could face competition from as many as 12 new English language commercial or subscription satellite television channels.

Lord Thomson, retiring IBA chairman: uneasy about TV's future

To help support the smaller companies. The government sees the ITV companies and their successors primarily as regional companies with no obligations to combine into a national network.

selling of Channel 4's airtime although different companies view the white paper in very different lights.

The Independent Television Commission will not have the power to block takeovers: one company will be able to own two franchises

will not have or need the IBA's present powers to block takeovers.

As one company is able to own two regional franchises, seven or eight companies could eventually control what is to be known as Channel 3 in future.

Mr Hill, who has frequently said he wants ITV to be able to operate as a proper business, says he wants the Independent Television Commission to be set up as soon as possible.

For most ITV companies the emphasis is on how best to try to keep their franchise. Almost by the week the companies announce plans to divide their operations into separate cost centres combined with plans for job cuts.

Advertisement for Business Daily. Includes text: 'How do you like your business news delivered?', '1st on the air with business news.', 'Every weekday, Channel 4 are 1st on the air with business news - Business Daily.'

Advertisement for BBC. Includes text: 'Marmaduke Hussay: moral principles and commercial advantage coincide. Cornerstone of British broadcasting. BBC could benefit in the long run.'

There were many sighs of relief among senior executives at the BBC when they read the chapter on the corporation in the government's white paper on broadcasting.

Indeed, the government accepted that the BBC had a special role and said it would continue to be expected to provide high quality programming across the full range of public tastes and interests.

The BBC has, however, been put on notice that the government intends to conduct a thorough review of its role, presumably including its financing, in the run-up to the re-negotiation of its Royal Charter in 1996.

Despite the obvious longer-term threats, Mr Hussay, who recently made it clear he felt "miffed" that the government was planning to take a night-time channel, promised that the BBC would face competition with high quality and not chase ratings down-market.

Some broadcasting specialists, however, argue that the BBC is deliberately undermined as an act of public policy it could be strengthened to future - as the commercial audience is fragmented among a host of competing channels.

Large stylized number '4' at the bottom of the page.

DECEMBER 16 1988

FRIDAY, DECEMBER 16, 1988

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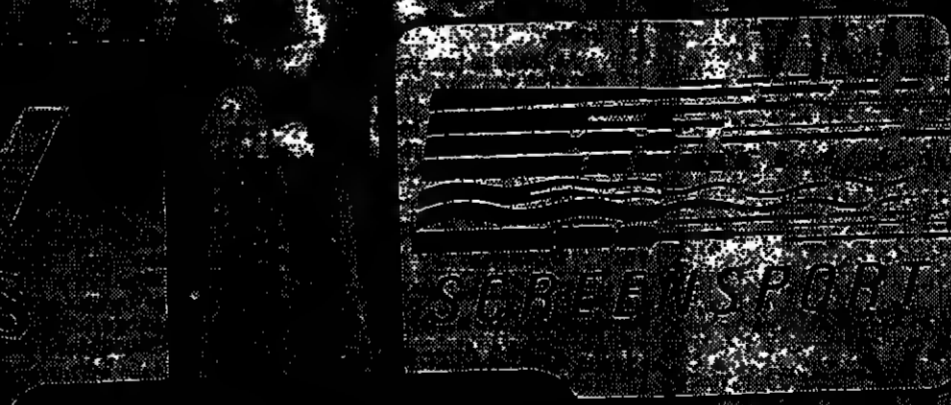
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FINANCIAL TIMES CONFERENCES

CABLE TELEVISION AND SATELLITE BROADCASTING

Hotel Inter-Continental LONDON 20-21 February, 1989

The Seventh Financial Times Cable Television and Satellite Broadcasting Conference comes at a dramatic turning point as the new media revolution begins in earnest.

The French DBS satellite has been successfully launched and, at the very time the conference is being held, the Astra satellite should be beaming 16 channels of television across Western Europe and with it, Mr Rupert Murdoch's four channels of Sky Television. Within a matter of months British Satellite Broadcasting will take the UK into the high power DBS revolution.

At the same time, cable television is attracting increasing financial support. In Britain, for example, the major American cable operators appear to be queuing up to invest. Will cable benefit from its capacity to deliver all the competing channels and cut through the problems of competing dishes and standards, or will the satellites get there first?

The British Government has also made it clear it wants to create a host of new business opportunities with the deregulation of the British broadcasting system - business opportunities that will be available to companies throughout the European Community.

But who will be the winners and losers in the world of the new media and will satellite receivers really become the new consumer electronics product the industry is looking for as video recorder sales tail off?

The FT conference, which has established itself as the leading forum for the discussion of the future of an important new industry, will look at the hardware and the software, how the consumers will react and what the impact on the traditional broadcasters will be.

PROGRAMME

CHAIRMEN:

Mr Patrick Cox

President
European Media Holdings SA

The Rt Hon The Lord Thomson of Monifieth, KT, PC

Chairman
Independent Broadcasting Authority (1981-1988)

BBC'S PERSPECTIVE OF THE NEW MEDIA

Mr Michael Checkland

Director General
British Broadcasting Corporation

THE MARKET FOR SATELLITE RECEIVING EQUIPMENT

Mr Bill Cotton

Director
Alba plc

US INVESTMENT IN CABLE IN THE UK

Mr Adam Singer

President
United Programming

DEVELOPMENTS IN GERMANY

Dr Burkhard Nowotny

Geschäftsführer
Bundesverband Kabel und Satellit eV

OPENING ADDRESS

Mr Timothy Renton, MP

Minister of State at the Home Office

DISTRIBUTION AND RETAILING OF THE RECEIVING EQUIPMENT

Mr Graham Lawson

Managing Director
Megasat Limited

DEVELOPMENTS IN FRANCE

Speaker to be announced

SATELLITE COMPETITION IN EUROPE

Mr Andrea Caruso

Director General
EUTELSAT

Dr Pierre Meyrat

Director General
Société Européenne des Satellites

NEW MEDIA POLICY IN EUROPE

Mr Eiko Brinkman

Minister of Welfare, Health & Cultural Affairs
Netherlands

FORUM: THE FUTURE MARKET FOR PROGRAMMES

- WHAT WILL BE THE SIZE OF THE AUDIENCE?

Mr Robert W Ross

Managing Director
CNN International Sales Limited

SATELLITE COMPETITION IN THE UK

Mr Anthony Simonds-Gooding

Chief Executive
British Satellite Broadcasting

THE MARKET FOR SATELLITE CHANNELS - WHO WILL PAY?

Mr John Clemens

Director
AGB International Research

Mr Julian Kerr

Managing Director
Visnews Limited

Mr Richard Wolfe

Chief Executive
The Children's Channel

WHAT THE SATELLITES HAVE TO OFFER

Mr Jim Styles

Managing Director
Sky Television PLC

Mr Mark Booth

Managing Director & Chief Executive Officer
Maxwell Entertainment Group

AN ADVERTISER'S VIEW OF THE MARKET

Ms Judy Thomas

International Media Director
D'Arcy Masius Benton & Bowles

Mr John C Griffiths

Chairman and Managing Director
The Arts Channel

Mr Brian C Lawrence

Director
British Telecom Vision

Mr Francis Baron

Managing Director
W H Smith Television

DEVELOPMENTS IN UK CABLE

Mr Jon Davey

Director General
Cable Authority

GUEST LUNCH SPEAKER

Mr Michael Grade

Chief Executive
Channel Four Television

CABLE TELEVISION AND SATELLITE BROADCASTING

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BRITAIN'S BROADCASTING REVOLUTION 8

Christopher Dunkley on the new television age

More-than-even chance that quality output will rise

THERE IS one certainty, but only one, about the dawn of the new television age. Nobody knows which transmission system will eventually predominate. Nobody knows who will come out on top either nationally. (Michael Green? Robert Maxwell? Michael Checkland?)

There are those in commercial television who gloomily predict that within a decade the BBC will be dominant in all but a few cheap-skate fields of programming (thanks to the fragmentation of the commercial sector) and also internationally (Rupert Murdoch? Silvio Berlusconi? Ted Turner?)

The single certainty is that there is going to be more television, and among those who worry about such things the big question is: will more mean worse?

There are strong arguments on both sides. It might be said that in all aspects of life where huge increases have been achieved in the modern world, more has indeed meant worse, whether in matters which bear very little comparison with television - housing, hot food and motor cars for instance - or in much more comparable matters such as music, print and live entertainment.

The difficulty with this entire debate, is that ideas of "better" and "worse" are wholly subjective. Lovers of classical music would naturally argue that while there may be more of Kylie Minogue and Rick Astley than there used to be of Bach and Mozart, the music is worse. Tabloid newspapers sell more copies than their broadsheet competitors, but the same people would judge them worse, and the lunchtime strip show in the pub would hardly be reckoned better than the local rep of old, never mind Shakespeare.

Among those who insist that more always means worse, it seems self-evident that tower-block flats, Kentucky Fried Chicken and the Ford Fiesta are "worse" than Georgian terraces, the Connaught and the Bentley Continental. The difference, of course, is that one set can be mass-produced and the other set cannot, so that the comparison is not very helpful. The millions who have achieved car ownership thanks to mass production would never have been able to afford a Bentley Continental.

There is, however, a fundamental difference between such products and television programmes. The arrival of a Kentucky Fried Chicken shop in every high street has not meant the closure of The Connaught, but there are those who believe that the arrival of 24-hour "entertainment" channels via satellite will inevitably mean the end of the present "high quality" service delivered by British television.

The words "high quality" are in inverted commas because this claim is open to question. In the recent past the existing ITV franchise holders have become very keen on delivering warnings about the inevitable decline in quality if the franchises are put up for auction, as the Government White Paper suggests. We have been told not once but dozens of times that if this plan goes ahead, then "you'll never see another *Brideshead* or *Jewel In The Crown*".

Cynics would claim: "They would say that, wouldn't they?" but it is even more important to remember the dates of the two series and the producers. The idea that the 18 ITV companies are busy churning out a succession of such award winners is quite false: *Jewel In The Crown* was made five years ago, *Brideshead* seven years ago, and both were produced by Granada.

No other ITV company has ever made anything as good, and Granada itself has done nothing comparable for five years. On the other hand, in just one week of the current autumn season ITV was screening such imported American drama series as *Beauty And The Beast*, *The Equalizer*, *Lou Grant*, *Kojak*, *Hill Street Blues*, *The Waltons*, *Murder She Wrote*, and *Knight Rider*. So much for ITV's dedication to British quality, and so much for the dangers of satellite television introducing "American cultural imperialism" to Britain.



Competitive viewing: Gerladine James and Stuart Wilson in Granada's 'The Jewel in the Crown'

Any ITV company building a war chest with which to bid for its own franchise at auction is likely to start saving money wherever possible on current programme plans. These points all seem to support the ITV contention that there will be reduction in the "quality" of the output. But ITV is going to be only one part of the new age of television, and in calculating the total effect for the viewer it is necessary to remember other points:

- The BBC (biggest and most experienced producer of television programmes in the world) will still be in business.
- Channel 4 will still be broadcasting, and still charged with serving a specialised function.
- Past increases in programme production, as with the coming of ITV (also hailed by the existing television establishment as endangering quality) resulted in improved quality.
- Other mass media successfully sustain a broad range of material from extreme pop to high quality at many points within the spectrum.

Despite bilious claims from British chauvinists that in the US the television revolution has meant "35 channels of identical rubbish" the facts prove otherwise. News channels, movie channels, children's channels, music channels, arts channels, Hispanic channels, business channels are allowing viewers to choose what they want, when they want it. Finding quality is no more difficult than finding it on a packed news stand.

It has never been clear why the British government considers it necessary to tamper with ITV in the course of opening up television to a larger number of producers and distributors. The logical course would have been to leave a highly successful system alone and usher in the newcomers to add to the competition. If the franchise auction really is imposed on ITV as the government threatens, then ITV quality clearly will deteriorate.

But as satellite operators, cable channels and independent producers proliferate, there seems a more-than-even chance that the total output of high quality material will rise. The quantity of surrounding trivia may well be so vast that you will need considerable expertise to track down the quality but that will simply put television into the same category as food, music and newspapers.

CABLE TELEVISION

Franchises granted 'to remove uncertainty'

THE government's promise of several dozen new television channels and proposals to auction ITV franchises to the highest bidder may have attracted most of the headlines, but its plans for cable television are, in their own way, just as radical.

All attempts at official government persuasion to encourage the creation of sophisticated cable networks capable of interactive (two way) services and advanced telecommunications have been quietly dropped. Subject to minimum technical standards operators will be free to build networks to the standard they believe will be commercially viable.

The extent to which they lay down cable facilities physically capable of functioning as a fully interactive telecommunications network will be a matter for their judgment, not one for government or regulators, the white paper says. It goes on, of course, to emphasise that investors will be free to build such sophisticated networks if they want to.

As part of its new "technologically neutral" policy on cable, the winners of new 15-year local television licences to be allocated by competitive tender will be able to use cable television, microwave television (MVDIS) or a mixture of both. Cable operators will be able to decide how much of an area to cable compared with present franchises where the entire franchise area applied for is expected to be cabled eventually.

The downside of the new local television licences to be awarded by the new Independent Television Commission, which will replace both the Cable Authority and the Independent Broadcasting Authority, is that in most cases the

owner of the network will not also be able to sell the programme services carried on it. Instead, the government envisages a new breed of local television retailer springing up to sell television services direct to the consumer.

As Mr Timothy Renton, Home Office minister responsible for broadcasting, told the cable industry at a convention last month the thrust of government thinking is that "where possible each part of the chain of programme production and supply should be subject to competition. That way lies efficiency and diversity."

The cable industry was horrified by the proposed split between network owners and operators and retailers of programme service. The last thing that will help the spread of cable, some argued, would be "35 different retailers knocking on doors trying to sell cable".

Mr Renton saw it quite differently. Few would think it right, he argued, if consumers had only one retailer in a particular area to buy television sets from, or a single broker selling insurance. "Why should locally-delivered television services be different?" Mr Renton asked.

Potential new cable operators in the UK now have an interesting choice to make. They can decide to wait, probably at least another two years, to bid for the new licences with their mixture of greater freedom and penalties or apply to the Cable Authority for franchises under existing legislation and with its greater obligations and little chance of integrating MVDIS - over the air broadcasting of as many as 30 channels to local areas - into their plans.

Mr Renton made it clear, however, that if there were franchises under the existing framework "then it is clearly right that it should be met".

The Cable Authority, which has been seething about the "massive dose of uncertainty" injected into the cable industry at the very moment when investor interest is growing, has taken a very clear line.

"We shall do all in our power to remove that uncertainty by granting franchises under our existing franchising process as quickly as we can to applicants who may wish to apply," said Mr Richard Burton, chairman of the Cable Authority.

And just to ram home the point, the authority announced the award of three large previously-advertised franchises: Avon, Thames Estuary North, and Thames Estuary South covering a total of 700,000 homes to companies in which United Cable of the US has a substantial interest.

At the same time the authority announced it was advertising four new franchises, three in London and the four for the City of Cambridge and its surroundings, and Mr Burton said he expected "business to be brisk".

It would be ironic if the government proposals stimulated a rush into cable by people trying to avoid the new regulations expected to become law by the summer of 1990.

Cable has so far been, at best, a very modest success in Britain with only about 268,000 homes connected and only 53,000 of those on modern broadband (multi-channel) systems. Yet nearly 6m homes are now covered by franchises either awarded or announced,

a figures that could, in theory, make cable available to some 15m viewers one day.

The industry that many people major things going for it. One is American money. The US cable industry is now immensely profitable and powerful with cable now available in more than 45m American homes - over 50 per cent - and annual revenues expected to reach \$13bn this year. Many of those operators, and United is just one example, are looking at the UK as a promising place to invest.

The US operators are arguing, however, that the restrictions on non-European Community companies controlling cable franchises should be lifted - an issue about which the white paper had nothing to say.

Ironically, the other major plus could be satellite television which many cable operators see not as a rival but an important ally. The new satellite channels, whether Mr Rupert Murdoch's Sky Television on the Astra satellite or British Satellite Broadcasting, will be broadcasting brand new channels which may be more interesting than many existing cable channels.

At a time when consumers are likely to be confused about different satellite receiving dishes and different broadcasting standards the cable industry will be able to scoop up all the available channels and deliver them to the home down a single cable.

As Mr Nicholas Mellers, director of the Cable Television Association put it recently: "Astra and BSB are the best news for cable for years."

Raymond Snoddy



Windsor Television has been in cable TV for two years. Tim Hatfield (l) is sales director and David Whitaker managing director

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BBC ENTERPRISES

Getting the message across

Next year should be good for point-to-multipoint

SENDING AN identical message to more than a handful of people can be time-consuming and expensive.

A bank or building society, which wants to let its branches know the latest change in interest rates, could rely on posting hundreds of letters. More likely, because of the urgency of the information, it would try to send it by facsimile.

But even that has its problems: bank headquarters do not have hundreds of facsimile machines; telephone lines tend to get clogged up at precisely those times when they are needed most; facsimiles often have to be sent again, because the message gets scrambled.

A bookmaker, wishing to relay pictures of the latest horse races to its betting offices, could deliver videos of the events to them all by courier. By the time the bikes had arrived, however, the race would be over and the punters would be in the pub.

The solution to these problems - and many others, where there is a need to deliver the same message to a large number of locations - can be provided by a new service, which combines elements of telecommunications with broadcasting.

Known as point-to-multipoint communications, the service is similar to broadcasting in that the same message is sent simultaneously to more than one person. It is similar to telecommunications in that the message is sent to targeted locations, not to all and sundry.

Point-to-multipoint communications services are transmitted over the airwaves - either terrestrially or via satellite. The message being sent is encoded so that only those locations with the correct equipment can receive the message. This ensures both that sensitive messages are not intercepted by the wrong people and that people can be charged for using the service.

In the UK, point-to-multipoint services have until recently been the monopoly of the broadcasters and the telecommunications operators.

For the past two years, the BBC, through its BBC Datacast subsidiary, has been offering the service. Its customers include the London Stock Exchange, the Financial Times, the U.S. Post Office and the Halifax Building Society. The Independent Broadcasting Authority offers similar services in association with Aircall Communications, a telecommunications services group. The broadcasters have transmitted their services terrestrially, using spare capacity which is not used for sending television pictures.

The telecommunications operators - British Telecom and Mercury Communications - have been able to offer similar services, using satellites for transmission. BT has several customers for its facility, including Satellite Information Services, which transmits information to betting shops.

The market for point-to-multipoint services, however, is expected really to blossom in 1989, following the UK government's decision to deregulate the market by abolishing the BT-Mercury duopoly.

A further boost is expected when British Satellite Broadcasting - the UK's flagship for direct broadcasting by satellite in which Pearson, owner of the Financial Times, has a stake - launches its satellite in September. BSB plans to use the spare capacity on this for point-to-multipoint services.

One reason for optimism that the market will take off is that 27 companies applied for licences to offer specialised satellite services - many with innovative ideas of the services they wanted to provide - when the government decided to deregulate the market. In the end, only six licences were awarded, but it is likely that most of the unsuccessful applicants will want to offer their services, using the successful applicants' facilities.

The six successful applicants were: British Aerospace; BSB; EDS, the communications subsidiary of General Motors; Maxwell Satellite Communications, part of Mr Robert Maxwell's empire; Satellite Information Services; and Uplink, a specialist consortium.

Continued from Page 1

cally high bids in the expectation that the terms of their contract will be subsequently renegotiable.

The final details of how the auction process will work have yet to be worked out.

The government intends awarding three new national channels of commercial radio to the highest bidder after a basic qualifying test conducted by a new Radio Authority and also envisages several hundred new local and community stations.

As the battle gets under way to influence the shape of the broadcasting bill covering both radio and television, the position of the audience and how viewers and listeners will react both to the extra choice and the extra competition could become a significant issue.

In Television and its Audience, a book published this month, Patrick Barwise and Andrew Ehrenberg of the London Business School argue that many of the features of television are fundamental and not liable to rapid change.

The fundamentals include massive viewing, low involvement of most of those viewing, the high cost of making watchable programmes and the low cost to each viewer because the audiences are so large.

Barwise and Ehrenberg believe that over the next 30 years present patterns of viewing are unlikely to change dramatically, although people may watch more than they do now and spread their viewing over slightly more channels.

"Most of what people watch will be of the same broad types as we watch today, viewed (we think) in pretty much the same way. None of this heralds a revolution in the place of this giant medium within our daily lives," Barwise and Ehrenberg conclude.

Television and its Audience. Patrick Barwise & Andrew Ehrenberg. Sage Publications.

Hugo Dixon